

## Limoges Investment Management PC

### ADV Part 2A Brochure

This brochure provides information about the qualification and business practices of Limoges Investment Management. If you have questions about this brochure, please feel free to contact our firm using the phone number or email address listed below.

This brochure has been filed with regulatory authorities in accordance with industry regulations, but has not been approved by the Securities and Exchange Commission (“SEC”) or any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Limoges Investment Management is available on the SEC’s website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or our company website: [www.limogesinvest.com](http://www.limogesinvest.com).

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## Item 2 - Material Changes

### Material Changes

This brochure is modified in format from the firm's previous ADV Part II, in compliance with regulatory changes. This format presents some new information that was not required in the previous format but does not reflect changes to our firm's policies and procedures. For example, whereas the previous format presented a check-the-box template for some information, the format of this brochure is a narrative description of the information provided. Except for the new information, and a substantial increase in the level of financial assets we manage (see Item 4), there are no major changes since our last ADV Part II disclosure statement, which was dated March 11, 2010.

Item 3 – Table of Contents

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#### **Item 4: Description of Advisory Business:**

Limoges Investment Management PC (“the Advisor”) was founded in 1993 by its sole owner, Craig Limoges. Since inception the firm has remained a fee-only firm. This means that no principal or employee of the firm is ever paid a commission for their work. We are never compensation on a transaction basis.

Our firm offers a variety of financial services, broadly divided into three categories of services: (A) advice on an hourly or fixed-fee basis (in some cases described as “financial planning”), and/or (B) management of investment portfolios on behalf of clients, and/or (C) tax services.

All services offered by the firm are provided under a written agreement. There are separate agreements for hourly clients, investment management clients, and retirement plan clients. Clients may terminate any advisory contract within the first 5 days of signing with full fee repayment, or at any time in writing.

A. When we provide advice and financial planning services on an hourly or fixed-fee basis, we normally first meet with clients to identify their needs, goals, resources, and factors that may influence the advice given. We feel it is important to know our clients well so that we can give the best possible advice. Services provided in this category of services include but are not limited to investment advice, retirement planning, college funding, estate planning, philanthropic (gifting) issues, divorce planning, and other areas which may be specific to the client’s situation. Retirement plan consulting is also included in this category of services offered. Retirement plan consulting includes helping employers select appropriate investment choices for the plan, educating plan participants regarding the features of plan investments, and discussing overall risk & return. Please see Item 5 for a discussion of our fees for the services that fall into this category.

B. When we manage investment portfolios we are normally (but not always) given discretionary authority. Discretionary authority means the authority to initiate the buying and selling of securities on behalf of our clients without having to contact the client to obtain permission for each trade. Clients have the choice of giving our firm discretionary authority or not. For our investment management clients we also facilitate distributions and transfers of client funds to accounts of like registration, as well as IRA distributions. Security measures in place are designed to protect client funds. All client accounts are registered in the name of the client—never the Advisor. Our firm never takes possession (“custody”) of client funds. It is important to note that one client’s funds are never commingled with those of other clients. While the Advisor provides internally-generated statement to clients, clients also receive statements sent to them directly by the independent custodian of the client’s financial assets. It is important to note that our compensation is not transaction-based—we never receive commissions as part of our compensation. Compensation for investment management service is based on a percentage of the value of the clients’ accounts being managed (again, please see Item 5 for a discussion of our fees for the services that fall into this category).

The process of managing a client's investments normally incorporates the use of an Investment Policy Statement ("IPS"). The IPS is a useful document that describes the client's situation, financial goals, tax picture, and risk tolerance, among other factors. An important part of the IPS is a section that presents "target" allocations of the clients' account(s) to be invested in a given selection of investment categories. With minimum and maximum allocation ranges stipulated, the client has a good idea as to how their funds will be managed. The IPS provides the client and the Advisor with a common understanding of both an acceptable level of risk and a game plan for the management of client's assets.

Investment management clients receive all trade confirmations and monthly statements directly from the applicable custodian/discount brokerage firm either in print or (if elected by the client) electronically. Clients are encouraged to review the statements received from the brokerage firm. From the Advisor, investment management clients receive a quarterly mailing that includes a general newsletter; a statement listing all account holdings by number of shares of each asset owned, value of each holding as of the date of the report, and total value of the client accounts; a pie chart reflecting the allocation of client account(s); and a statement of asset management fees and the methodology of fee calculation.

After the end of each calendar year, reports provided to clients include the same reports as quarterly reports as well as a portfolio performance report indicating performance of the account(s) net of the payment for asset management fees (and a supplemental report discussing benchmarks and benchmark performance); a Realized Gains and Losses Report and Expense Report (taxable accounts only) to be used for capital gain/loss reporting, and an Expense Report (taxable accounts only) indicating the potential tax deduction for payment of management fees; the firm's Privacy Notice; the firm's ADV Part II (ie, this document), and applicable disclosures and disclaimers.

Personal meetings are normally held at least annually with each investment management client in the offices of the Advisor. Where it is impractical to conduct the meeting in the Advisor's office, the review is normally conducted over the phone. Financial planning reports vary with specific needs of client (ie, retirement illustration, college funding illustration, etc.).

Generally we use and recommend diversified, low-cost investments like no-load mutual funds, Exchange Traded Funds (ETFs), and FDIC-guaranteed Certificate of Deposits. We also invest in or recommend Real Estate Investment Trusts (REITs) and debt obligations of the U.S. (and sometimes foreign) Government. Occasionally we may hold or recommend options (for hedging purposes), commodities, foreign exchange / currencies, hedge funds, and other investments.

Clients may impose limitations and restrictions on investing in certain securities or types of securities.

Another way to describe what we do is to describe our activities as sources of revenue. The following may provide some helpful information to the reader:

<u>Type of activity</u>	<u>% of total revenue</u>
Managing client investment accounts, with discretionary authority	94%
Managing client investment account on non-discretionary basis	1%
Providing investment advice on an hourly basis	1%
Hourly or fixed-fee financial planning or tax services	4%
Total	100%

Another useful way to learn about our firm is to know our size, as expressed by “Assets Under Management”, by type of client:

As of 12/31/2010, our firm provides investment services to the following clients, with total account values as follows:

	<u>Clients</u>	<u>Account Value</u>
Direct discretionary management	166	\$ 52,195,944
Non-discretionary management	1	\$ 494,614
<u>Advisor to 401(k) Plans</u>	<u>4</u>	<u>\$ 4,418,070</u>
Totals	171	\$ 57,108,628

C. The Advisor does not solicit for nor encourage new tax clients, but does prepare a very limited number of personal income tax returns. Income tax returns prepared under the auspices of Limoges Investment Management will only be prepared by Craig Limoges (again, please see Item 5 for a discussion of our fees for the services that fall into this category).

## **Item 5: Fees and Compensation**

A. Fees for hourly services as described above in Item 4(A) are normally charged at the rate of \$125 for professional time and \$45 for staff time. Sometimes we provide services for a stated fixed fee which may range widely, depending on the complexity of the service requested. Sometimes, at the discretion of the firm or its representatives, we may ask for a retainer (deposit) before beginning work for a client. However, our normal billing process is to bill after the end of the calendar month for services provided during that month.

If, at the end of an engagement, the amount a client has paid to our firm exceeds the total amount billed (for example if a retainer was more than the total actual fee), any unearned overpayment made to our firm will be refunded in full. In the event either the client or the Advisor cancels the written agreement, any unearned fees will be returned to the client. If, at the time of the cancellation of the agreement, the Advisor has unbilled hours spent on the client’s case, those hours will be billed to the client.

Fees for services to retirement plans and sponsors vary greatly with the size and specific needs of each plan. The advisor and client will agree to one of three methods of fee calculation: (1) a quarterly fee based upon a small percentage of the value of plan assets (see fee schedule for discretionary management clients below), (2) a fixed annual or quarterly price set by the advisor and may range from a low of \$250 per quarter to a high of \$18,000 per year. This range depends upon the number of participants, complexity of plan assets and Plan Document, and any other complicating factors identified that relate to the Plan, or (3) compensation based upon hourly fee for service at a rate of \$45 per hour for staff time and \$125 per hour for professional time. The potential range of fees under this method depends upon the specific plan and can also vary from \$250 to \$18,000 per year. Should the advisory relationship between the advisor and plan sponsor be terminated for any reason, prepaid unearned fees will be returned promptly. The amount returned will be prorated on a daily basis for methods (1) and (2) above and based upon hours of service provided compared to pre-payments made by client in method (3) above.

We are not affiliated with any brokerage firm or custodian. When we give advice to hourly clients, those clients have the freedom to accept our advice (or not), and to use the brokerage firm or custodian of their own choosing to execute the recommendations given.

B. Fees for investment management services described above in Item 4B are paid quarterly in advance, based upon account value at the end of the quarter. For example, management fees for the first quarter of a calendar year will be based upon account value as of 12/31 prior to the quarter. Management fees on amounts deposited during any quarter are prorated on a daily basis and added to the subsequent quarter's management fee. Accordingly, withdrawals during any quarter result in a credit against the subsequent quarter's management fee and are likewise prorated on a daily basis, reflecting the date of the withdrawal. Should the client, for whatever reason, terminate management services, he/she would be rebated any unearned fees, calculated on a prorated daily basis to reflect the number of days remaining from the termination date to the end of the quarter for which the client has pre-paid.

For example, if the prepaid management fee for a quarter was \$300 and the client terminated on the 60<sup>th</sup> day of a 90-day quarter, then the rebate would be calculated as follows, using the figure of the 30 days that remain in the quarter:

$\$300.00 \times 30/90 = \$100$  rebate of prepaid fees, for the days remaining in the quarter.

Investment management clients have the choice of paying fees by authorizing their withdrawal from account(s) being managed; or by being billed by the Advisor and remitting to the Advisor the fee by writing a check.

Following is the fee schedule that applies for investment management services:

<u>Account Value</u>	<u>Annualized Fee</u> <u>(divided by 4 each quarter)</u>
under \$100,000	1.50%
\$100,000 - \$500,000	1.25%
\$500,000 - \$1.0M	1.00%
\$1.0M - \$3.0M	.85%
over \$3.0M	negotiable

Account values of family members (lineal descendants including siblings) are aggregated at the end of each quarter for the purpose of determining the applicable annualized management fee.

Only one rate applies to all accounts being managed. If it is found at the end of a quarter that the aggregate (combined) value of all client managed accounts has increased to the next threshold corresponding to a lower annualized fee, only the new (in this case lower) fee rate applies to the entire account value(s). For example, if total client account values were \$950,000 one quarter and then increase to over \$1 million at the end of the following quarter, the .85% annualized rate applies to all client funds under management, not just the amount exceeding \$1 million.

Conversely, should the client's total end-of-quarter account values decline from \$1,010,000 to \$995,000 from the end of one quarter to the next, then the rate associated with that account value range (in this case 1.0%) would apply to all clients funds under management.

There are other costs of investing that are not included in the Advisor's fees. While we make use of many mutual funds that do not result in any transaction fee charged directly to the client's account, we also use mutual funds that result in a transaction being charged to the client's account. Any transaction fee assessed by the account custodian--whether that security is a mutual fund, exchange-traded fund, bond, or stock—is charged to the client's account and not subtracted from the management fee. In addition, a custodian may or may not assess an annual account fee. For our client accounts registered with Charles Schwab & Company's institutional division, there are no annual account maintenance fees.

Rarely, clients may own non-traded or non-priced or unregistered securities. If the security is acceptable by the account custodian, the custodian will often assess an annual fee for reporting the security as part of the client account(s).

Mutual funds and exchange traded funds also have expenses internal to their mutual funds. These expenses represent overhead, management costs, marketing, and other costs of doing business. The expenses are disclosed in the operating expense ratios of each respective investment alternative and may be found both in the mutual fund's prospectus

and by using independent mutual fund research services like Morningstar. Trading expenses of mutual funds (their internal costs of buying and selling securities inside their fund) are in addition to the funds' operating expense ratio. Some mutual funds assess a "12(b)1 fee", sometimes referred to as a "hidden load". We may use a fund that has a 12(b)1 fee, but generally we avoid funds whose fee exceeds .25% per year. The advisor does not receive any of the 12(b)1 fee.

No representative of our firm has an incentive to recommend one investment over another. We seek out only what we consider to be those investments which are appropriate to the client's account and offer the proper risk/return considerations.

C. Fees charged for tax preparation vary from \$50 or less for a Federal short form to as much as \$1,000 for a more complicated tax return. The charge for tax preparation is set at the discretion of the advisor and is based upon a combination of factors, including number and type of forms used to prepare the return, the time required to prepare the return, the value added by the preparer, and complexity of issues on the return. Tax preparation fees are payable upon completion of the return(s).

Pro-bono (free) services are provided at the discretion of the Advisor. Examples of recipients of pro-bono services are selected non-profit organizations and family members of owners and employees of the Advisor or others, at the discretion of the Advisor.

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

The Advisor does not engage in "performance based" fees or "side-by-side management", making this section irrelevant.

#### **Item 7. Types of Clients**

The Advisor provides services for a variety of types of clients, including individuals, trusts, retirement plans, non-profit organizations, and foundations..

Individual clients of a variety of ages and circumstances make up our clientele. Most, however, represent pre-retirement and retired people who are seeking sound advice as to how to approach the prudent investment of the resources they have accumulated. The needs, concerns, and goals of individuals can vary greatly and we honor the specifics of each client's situation.

Our trust clients include revocable and irrevocable trusts which have been established for a variety of reasons, including estate planning, asset protection, education, income tax planning, and other reasons.

Clients who are non-profit organizations and foundations represent organizations whose resources are managed to provide benefits or resources to others. These clients require an even higher level of fiduciary responsibility.

For financial planning clients the firm does not impose any Client net worth or account size minimums. However, the firm does not accept all potential clients. Acceptance of a new client is at the discretion of the firm.

Minimum account size for our investment management service is \$100,000 unless otherwise approved, applied to the value of the client's combined accounts.

The retirement plans we serve receive consulting as to appropriate investment alternatives for plan participants to choose from, selection of custodians or other retirement plan service providers, and plan participant education and individual consulting.

Both the client and the Advisor has the right to terminate the relationship at any time.

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

When we are engaged to provide investment advice, first we gather information about your personal financial situation and determine your specific needs, objectives, goals, time horizon, and tolerance for risk. When we provide advice, including financial planning and financial projections, there is a risk that the actual future experience of the client and of the client's assets will differ—sometimes significantly—from the assumptions used in the illustration. We cannot precisely predict the future and it is expected that there will be a difference between the estimated results of the projection and the actual outcome.

We utilize many sources of information when we review existing or new investment alternatives. We use generally available sources of information like the financial press (Wall Street Journal, Barrons, Investor's Business Daily and others), software (Morningstar, etc), and websites that we have judged to be sources of reliable information (Bloomberg, Yahoo Finance, Schwab Institutional, the website for the American Exchange, and others). We call mutual fund families directly and sometimes speak directly with the portfolio managers of funds in which we are interested, to gain insight into the thinking and philosophy of the manager.

In short, we do not claim to utilize proprietary methods of analysis, nor sources that are exclusive. We update our resource information regularly—quarterly in the case of mutual fund analysis-- noting changes in mutual fund management and any other changes in strategies or changes in performance compared to previous characteristics.

Our firm's overall investment strategy is one of asset allocation. Asset allocation is the process of balancing investment risk by recommending (in the case of hourly clients), and utilizing (in the case of investment management accounts) a variety of diverse investment categories. After a process of familiarizing ourselves with the characteristics of the client, we recommend an asset allocation strategy which we feel will be an appropriate tradeoff, balancing risk and return.

While our approach mainly utilizes asset allocation, our firm will use any perspective or resource we feel will help make better decisions. We predominantly use a fundamental, macro-economic approach to making decisions. This means that we read and follow the financial press and make our own conclusions as to the direction of the economy and markets and apply our observations and judgment to investment advice and actions. Though we mostly use fundamental analysis of the economy and the markets, we may also make use of technical analysis tools to make decisions.

Regardless of methods used by our firm or any advisor, any client or prospective client should understand that investment presents risk, and risk comes in many different forms. There is no such thing as a risk-free investment. Even short-term treasury securities--traditionally held to offer the least risk--present the risk that inflation will offset or even overtake the return on this investment. Many times in the recent past we have seen market volatility wreak havoc even on diversified investment portfolios. Any time one is invested in or is contemplating investment in equity securities (and, for that matter, bond investments), one should understand that there is a risk of loss that would be borne by the client's portfolio.

We are not prevented from doing so, but normally do not engage in hedging portfolios against the potential for market loss. Our philosophy is to manage overall risk to the client's portfolio by utilizing an asset allocation strategy that reflects the risk tolerance of the client.

The Advisor does not engage in nor recommend clients engage in frequent trading. Frequent trading may actually reduce investment performance due at least in part to the resulting higher (transaction) costs to the investor.

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

No member of our firm has ever been involved in any act or event that would require disclosure in this area.

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

Our firm does not have any relationships or arrangement with other financial industry participants. Periodically we refer clients to other professionals for services we do not provide—notably income tax accounting, legal advice, and insurance. None of the Advisor's representatives maintain an insurance license and do not provide insurance advice for compensation. The Advisor can refer clients to an insurance agent if this is desired by the client. Neither the Advisor nor its representatives are compensated in any way for such referrals. Neither the Advisory firm nor its representatives receive any compensation for making referrals of clients to other professionals.

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

All members of our firm abide by our firm's extensive Code of Ethics, which is available upon request (see page 1 of this document for contact information). Sections of our Code of Ethics include the following Principles:

1. **Integrity:** Professional services shall be offered and provided with integrity
2. **Objectivity:** Advisors shall be objective in providing professional services to clients.
3. **Competence:** Advisors shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the Advisor is engaged.
4. **Fairness:** A supervised person shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and have an affirmative duty of care, loyalty, honesty and good faith to act in the best interest of its clients including attempting to avoid all conflicts of interest and disclosing any conflicts of interest(s) should they occur.
5. **Confidentiality:** The Advisor shall not disclose any confidential client information without the specific consent of the client unless in response to proper legal process, to defend against charges of wrongdoing, or in connection with a civil dispute between the Advisor and client.
6. **Professionalism:** The Advisor's conduct in all matters shall reflect credit upon the profession.
7. **Diligence:** The Advisor shall act diligently in providing professional services.
8. **Regulatory Compliance:** The Advisor shall strive to maintain conformity with legal regulations.
9. **Outside Business Activities:** Advisory personnel are discouraged from engaging in outside business or investment activities that may interfere or create conflicts of interest with their duties to the firm or its clients. All outside business activities including directorships of private companies, consulting engagements, public or charitable positions, fiduciary appointments (executorships, trusteeship or power of attorney) should be disclosed.
10. **Gifts and Entertainment:** Acceptance of gifts and entertainment can influence objectivity or give the appearance of bias. Only gifts of a level determined to be of minimal material value may be considered.
11. **Political and Charitable Contributions:** Advisory personnel should not consider current or anticipated business relationships as a factor in soliciting political or charitable donations.

In addition to the above Principles, the firm's Code of Ethics covers a wide range of issues, including policies and procedures regarding the personal trading of advisory personnel as well as insider information and trading awareness. We are happy to share with you our full Code of Ethics should you desire this.

We do not recommend to clients (or buy or sell on the client's behalf) securities in which any member of our firm (including family members) own an interest.

We “eat our own cooking”. From time to time the representatives of the Advisor may purchase or sell for their own account the same securities recommended to clients or purchased or sold for client accounts. Care is taken to comply with "fair dealing" guidelines and to avoid "front-running". “Front running” refers to the situation when a hypothetical violator would buying (or sell) for their own account (or a preferred client for that matter), then using client money to buy (or sell) the same security to run up the price, at which time the violator would sell their own shares first to capture the profit for themselves.

Except for a transaction in an exempt (open-ended mutual fund, which is priced only at the end of the trading day), no owner, employee, or immediate family member of an owner or employee is permitted to engage in an individual security transaction (including Exchange Traded Funds) within three trading days ("T+3") of any transaction of the same security in any client account. Any owner or employee contemplating a purchase of a non-exempt security must receive approval for the transaction. It is a requirement to follow the firm's internal process and notify Craig Limoges in writing of this intent, using an internal form available for this purpose. Mr. Limoges reviews the notification and approves or disapproves the transactions of employees. In like fashion Mr. Middleton approves or disapproves the personal transactions of Mr. Limoges. The firm maintains and retains a quarterly record of all owner and employee non-exempt securities transactions.

If any employee, Principal, or representative of the firm becomes privy to material, non-public information, that individual shall take no action on such information. Material non-public information relates not only to issuers of securities but also to our firm’s securities recommendations and client securities holdings and transactions. It is a violation of the law to communicate material nonpublic information to others or to act on the information before it is disseminated to the public. In the event any insider information is received by any of the Advisor’s personnel, it shall be disclosed to the Compliance Officer (Mr. Limoges) and to no one else until further notice. It is then Mr. Limoges’s duty to encourage the public dissemination of such information.

#### **Item 12. Brokerage Practices.**

Our firm is not affiliated with any other firm, including any brokerage firm, insurance company, or bank. However, as a matter of routine we recommend brokerage firms for the custody of client accounts. Factors that are considered in the process of selecting a custodian include the range of investment alternatives available, a discounted commission structure, technology services offered, and the skills and depth of staffing. If the client does not have a specific broker in mind, Advisor will usually suggest Charles Schwab & Company or TD Ameritrade.

There is an issue in the investment industry described as “soft dollars”, meaning the receipt of resources or services (not cash) in exchange for directing business. Our firm’s policy is to not engage in soft dollar arrangements of any kind. No assignment or direction of trading activity in exchange for services is to be permitted. The Firm shall not be compensated directly or indirectly by any brokerage firm, custodian, or any other entity

involved in providing trade execution, custodianship, or other services. An exception to this general policy exists with Charles Schwab & Company, who waives a quarterly computer fee for all advisors managing assets located at Schwab with a total value exceeding a stated level. The Advisor has utilized Schwab as an account custodian for many years. When Schwab initiated their fee waiver program our firm already had more than enough assets at Schwab to qualify for this waiver. No other research, services, or other financial gain are provided by Schwab, Ameritrade, or any other company or individual in exchange for the Advisor's custodial recommendation.

In the situation where we want to purchase the same equity for multiple client accounts on the same day, we utilize one of two methods of executing the purchase (or sale). Either we aggregate trades for submission as a single purchase (sale) or we try to ensure that all trades are executed on the same day; then all clients get the average price for the day for all our clients buying (selling) on that day. The effect of these methods is to ensure fair pricing to all clients. It may also result in more competitive pricing on the execution of the trade.

Aggregation through Schwab does not really save on transaction costs since Schwab charges a fixed (but competitive) transaction cost per trade whether aggregated or not. The potential savings is the pricing to be achieved in an aggregated trade. Even so there is no guarantee that aggregation will really result in a lower price.

Rarely, the Advisor may make an error in submitting a trade order on your behalf. When this occurs, the Advisor may place a correcting trade with the broker-dealer which has custody of the account. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain of \$100 and over to charity. If a loss occurs greater than \$100, the Advisor will pay for the loss. However, net gains resulting from previous trade errors which were retained in the client account, if any, will offset the amount that the Advisor will pay. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

### **Item 13. Review of Accounts.**

Investment management accounts are monitored on an ongoing basis and are reviewed at least monthly. The process of review includes a three-level analysis: (1) overall suitability of client's portfolio in light of client's investment objective and constraints, (2) setting and/or maintaining the portfolio's allocation of assets between categories of investment alternatives, and (3) the performance and desirability of specific holdings within the portfolio.

Factors triggering more frequent reviews are: requests by client, significant changes in economic or political events, perceived valuation of markets compared to economic expectations, or changes in other factors influencing overall market behavior. Each account is reviewed by the individual Investment Advisor Representative (Either Craig Limoges or George Middleton) who maintains the direct Advisor/Client relationship. Additionally, the Chief Compliance Officer (Mr. Limoges) reviews all the firm's discretionary managed accounts on a periodic (normally monthly) basis.

Financial plans are reviewed by the individual advisor performing the work for the client before the plan is presented to the client. It is our company policy that only advisor representatives who are (1) a CFP or CPA-PFS or (2) are enrolled in the CFP or CPA-PFS curriculum or (3) under the direct supervision of a CFP or CPA-PFS are authorized to give financial planning advice to clients.

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

In order to maintain our professional integrity and avoid potential bias towards one investment or another (or one client or another), our firm has a company policy that prohibits the receipt of gifts, favors, or entertainment exceeding \$100.00 in value. This policy also prohibits the receipt of any awards or prizes.

Our firm receives no referral fees for referring clients to qualified professionals. With one exception we also do not pay for the receipt of referrals. The exception is that Mr. Middleton pays a flat monthly fee to the Dave Ramsey radio talk show in exchange for his listing as an “Endorsed Local Provider” of financial services. When listeners of the talk show seek the name of a qualified advisor who is located in their geographic area, they are encouraged to go to the show's web site and enter their zip code as directed. They are then provided with a list of participating local financial service providers. It is then up to the listener to contact any or all (or none) of the names provided to help them select an advisor. No testimonials are offered by the Dave Ramsey show.

#### **Item 15. Custody.**

We do not take custody of any of your financial assets. Your cash, bank accounts, and securities will be maintained by an unaffiliated, qualified custodian, such as a bank, brokerage firm, or mutual fund company. You will receive account statements directly from your account custodian, typically on a monthly or quarterly basis or as account transactions occur.

Clients are encouraged to carefully review the account statements they received from the account custodian (like Charles Schwab, for example). Comparing statements between the custodian and the account statements the Advisor provides will allow clients to confirm that all transactions, and deductions (like for management fees) are proper.

The firm has custody of client funds in only one limited regard—nearly all investment management clients authorize the firm to initiate the withdrawal of management fees from the accounts being managed. Included in the quarterly reports we provide to clients is a copy of the billing statement, indicating the amount of the fee deducted and how the fee was calculated. In no other way does our firm accept custody of client funds.

#### **Item 16. Investment Discretion.**

As mentioned earlier, when we manage investment portfolios we are normally (but not always) given discretionary authority. Discretionary authority means the Advisor has the authority to initiate the buying and selling of securities on behalf of our clients without having to contact the client to obtain permission for each trade. In some client/broker relationships this has the potential to be disastrous. However, our firm is a fee-only firm (we are never compensated by commissions) and we strive to keep trading costs down on behalf of the client. Clients have the choice of giving our firm discretionary authority or not. The Advisor manages a limited number of Client on a nondiscretionary basis.

In the case of our investment management accounts, it should be noted that the discretion utilized by the Advisor and its representatives is in accordance with the Investment Policy Statement and the game plan for investment strategy that the IPS reflects. When drafting the IPS, client aversions to specific investments or categories are incorporated. Restrictions, if any, placed on the manager affect the degree of diversification, stability, and performance characteristics of the client's portfolio.

As stated earlier, investment management clients are not required to grant discretionary authority to the Advisor. The process of granting the Advisor discretionary includes indicating this election positively, by checking a box in the investment management agreement, indicating this election. In addition, the custodian's account forms require this to be indicated in writing by the client(s) as well. Discretionary authority is equivalent to a Limited Power of Attorney. The power is limited to initiating buying and selling of securities on the client's behalf. It is common (but by no means required) for clients to grant to the Advisor the ability to distribute funds from the client's account—but only when the receiving account has an identical registration. If the receiving account does not have an identical registration to the sending account, all signers on the receiving account must sign the distribution request form provided by the "sending" account custodian. This provides the client an additional layer of security.

In some cases, hourly and pro-bono clients grant the Advisor discretionary authority to facilitate buying and selling in their accounts. Normally hourly clients approve the specific investments to be made in the account. A number of pro-bono clients allow the Advisor to make the investment selections on their behalf, usually in accordance with the IPS, if one exists for that client.

**Item 17. Voting of Client Securities.**

It is the policy of the firm to NOT accept authority to vote proxies on behalf of clients. Clients will receive quarterly and annual reports as issued by the mutual fund or other issuer of securities. Clients will also receive and are encouraged to vote the proxies received. This policy has changed from previous company policy. Our company has been in the process of re-directing proxy material to clients. We hope to have this process completed in the near future.

**Item 18. Financial Information.**

Due to the nature of our practice, an audited balance sheet is neither required nor included in this disclosure document. Our firm does not and never has had any adverse financial condition that would require further disclosure.