

# Disclosure Brochure

March 31, 2014



Ortner, O'Brien & Ortner  
ADVISORY GROUP, INC.

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This brochure provides information about the qualifications and business practices of Ortner, O'Brien & Ortner Advisory Group, Inc. (hereinafter "Ortner, O'Brien & Ortner" or the "firm") If you have any questions about the contents of this brochure, please contact Frank Ortner, III at (610) 251-9393. 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 Ortner, O'Brien & Ortner is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Ortner, O'Brien & Ortner is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, Ortner, O'Brien & Ortner is required to discuss any material changes which have been made to the brochure since the last annual amendment filed April 1, 2013. While minor revisions have been made to several items within the brochure, no material changes have been made to the substance of the document. Therefore, there is no information to disclose in relation to this Item.

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## Item 4. Advisory Business

Ortner, O'Brien & Ortner has been in business as an independent registered investment adviser since October 2000. The firm's current principal owners are John R. O'Brien, Francis C. Ortner, Jr. and Francis C. Ortner, III. Ortner, O'Brien & Ortner offers clients a variety of financial planning, consulting and tax preparation services, as well as investment management services. Ortner, O'Brien & Ortner employs a largely hands-on approach and methodology, which is divided into three separate and distinct phases: Investment Consulting, Advanced Retirement Planning and Relationship Management. Through this multi-tiered process, the firm strives to identify and address its clients' wealth management needs and objectives and bring them closer to reaching their financial goals.

Prior to engaging Ortner, O'Brien & Ortner to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Ortner, O'Brien & Ortner setting forth the terms and conditions under which Ortner, O'Brien & Ortner renders its services (collectively the "Agreement").

As of December 31, 2013, the firm had \$217,020,497 in assets under management, all of which was managed on a discretionary basis.

This Disclosure Brochure describes the business of Ortner, O'Brien & Ortner. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Ortner, O'Brien & Ortner's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Ortner, O'Brien & Ortner's behalf and is subject to Ortner, O'Brien & Ortner's supervision or control.

### Financial Planning and Consulting Services

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It is Ortner, O'Brien & Ortner's belief that providing comprehensive, advanced retirement planning services is an important facet in helping its client attain their financial goals. As such, the firm offers a range of centralized financial management needs addressing the following, without limitation:

- *Income Tax Planning.* In addition to constructing a customized tax plan, the firm arranges for its clients' taxes returns to be prepared and filed annually.
- *Estate Planning.* Ortner, O'Brien & Ortner creates estate plans and conducts reviews of existing estate documents. Through its various alliances, as discussed in Item 10, the firm is able to refer clients to its affiliates and partners to prepare legal documents, such as wills, trusts, powers of attorney, etc.
- *Asset Protection.* Ortner, O'Brien & Ortner reviews insurance policies and asset titles, and develops an overall risk management plan.
- *Charitable Giving.* The firm provides strategic advice for an array of gifting options.

In performing its services, Ortner, O'Brien & Ortner is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Ortner, O'Brien & Ortner may recommend the services of itself, its *Supervised Persons* in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Ortner, O'Brien & Ortner recommends its own services. The client is under no obligation to act upon any of the recommendations made by Ortner, O'Brien & Ortner under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Ortner, O'Brien & Ortner itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Ortner, O'Brien & Ortner's recommendations. Clients are advised that it remains their responsibility to promptly notify Ortner, O'Brien & Ortner if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Ortner, O'Brien & Ortner's previous recommendations and/or services.

### **Investment Management Services**

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Ortner, O'Brien & Ortner manages clients' investment portfolios on a discretionary or non-discretionary basis.

Ortner, O'Brien & Ortner primarily allocates clients' investment management assets among individual debt and equity securities, as well as various no-load and load-waived mutual fund classes in accordance with its clients' investment objectives. In addition, Ortner, O'Brien & Ortner may recommend that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. Ortner, O'Brien & Ortner also provides advice about any legacy positions or investments otherwise held in its clients' portfolios.

Ortner, O'Brien & Ortner also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, Ortner, O'Brien & Ortner either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Ortner, O'Brien & Ortner tailors its advisory services to the individual needs of clients. Ortner, O'Brien & Ortner consults with clients initially and on an ongoing basis to develop an investment policy statement which determines risk tolerance, time horizon and other factors that may impact the clients' investment needs. Ortner, O'Brien & Ortner ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Ortner, O'Brien & Ortner if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Ortner, O'Brien & Ortner's management services. Clients may impose reasonable restrictions or mandates on the management of their account if, in the firm's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Retirement Mastery<sup>™</sup> Services**

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The firm also provides clients with access to an array of extra services designed with the goal of helping its clients achieve the highest levels of Retirement Mastery<sup>™</sup>. Ortner, O'Brien & Ortner believes that these value-added services delve into helping clients learn more about lifestyle choices and goals that retirees want to experience after their careers are over. The firm holds quarterly meetings that are not just devoted to financial issues but focused on quality of life issues as well. Ortner, O'Brien & Ortner solicits various experts in an effort to help clients enrich their entire retirement experience. The firm has identified several core topics that are important to its retired clients – from new hobbies and travel, to music and health and wellness programs. These services are generally provided to clients under an existing financial planning, consulting or investment management engagement.

## Item 5. Fees and Compensation

Ortner, O'Brien & Ortner offers its services on a fee basis, which may include fixed fees, as well as fees based upon assets under management. Additionally, certain of Ortner, O'Brien & Ortner's *Supervised Persons*, in their individual capacities, may offer securities brokerage services and insurance products under a commission arrangement.

### Financial Planning and Consulting Fees

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Ortner, O'Brien & Ortner generally charges a fixed fee to provide clients with financial planning, consulting and/or tax preparation services. These fees are negotiable, but generally range from \$2,000 to \$10,000, depending upon the level and scope of the services and the professional engaged to render them. If the client engages the firm for additional investment advisory services, Ortner, O'Brien & Ortner may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging Ortner, O'Brien & Ortner to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Ortner, O'Brien & Ortner setting forth the terms and conditions of the engagement. Generally, Ortner, O'Brien & Ortner requires one-half of the fixed fee payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fees

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Ortner, O'Brien & Ortner provides investment management services for an annual fee based upon a percentage of the assets being managed by the firm. Ortner, O'Brien & Ortner's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by Ortner, O'Brien & Ortner on the last day of the previous quarter. The annual fee varies (between 0.50% and 1.25%) depending upon the size of a client's investment portfolio, as follows:

PORTFOLIO VALUE	BASE FEE
Up to \$500,000	1.25%
\$500,001 - \$1,000,000	1.00%
\$1,000,001 - \$2,000,000	0.85%
\$2,000,001 - \$3,000,000	0.70%
\$3,000,001 - \$5,000,000	0.65%
\$5,000,001 - \$10,000,000	0.55%
Above \$10,000,000	0.50%

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Ortner, O'Brien & Ortner's annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees and other related costs and expenses which are incurred by the client. Ortner, O'Brien & Ortner does not, however, receive any portion of these commissions, fees and costs.

Ortner, O'Brien & Ortner, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), Ortner, O'Brien & Ortner generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

Ortner, O'Brien & Ortner may only implement its investment management recommendations after the client has arranged for and furnished Ortner, O'Brien & Ortner with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by Ortner, O'Brien & Ortner, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Ortner, O'Brien & Ortner's fee.

### **Fee Debit**

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Ortner, O'Brien & Ortner's *Agreement* and the separate agreement with any *Financial Institutions* may authorize Ortner, O'Brien & Ortner to debit the client's account for the amount of Ortner, O'Brien & Ortner's fee and to directly remit that management fee to Ortner, O'Brien & Ortner. Any *Financial Institutions* recommended by Ortner, O'Brien & Ortner have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Ortner, O'Brien & Ortner. Alternatively, clients may elect to have Ortner, O'Brien & Ortner send an invoice for payment.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.



The *Agreement* between Ortner, O'Brien & Ortner and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Ortner, O'Brien & Ortner's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Ortner, O'Brien & Ortner's right to terminate an account. Additions may be in cash or securities provided that Ortner, O'Brien & Ortner reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Ortner, O'Brien & Ortner, subject to the usual and customary securities settlement procedures. However, Ortner, O'Brien & Ortner designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Ortner, O'Brien & Ortner may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets is not adjusted or prorated based on the number of days remaining in the quarter.

### **Commissions or Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with Ortner, O'Brien & Ortner (but not Ortner, O'Brien & Ortner) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Ortner, O'Brien & Ortner. Under this arrangement, clients may implement securities transactions through certain of Ortner, O'Brien & Ortner's *Supervised Persons* in their respective individual capacities as registered representatives of Leigh Baldwin & Co., LLC ("*LBC*"), an SEC registered broker-dealer and member of FINRA. *LBC* may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by *CBD* to such *Supervised Persons*. Prior to effecting any transactions clients are required to enter into a new account agreement with *LBC*. The brokerage commissions charged by *LBC* may be higher or lower than those charged by other broker-dealers. In addition, certain of Ortner, O'Brien & Ortner's *Supervised Persons* may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. Clients are advised that Ortner, O'Brien & Ortner also recommends no-load funds.

A conflict of interest exists to the extent that Ortner, O'Brien & Ortner recommends the purchase of securities where Ortner, O'Brien & Ortner's *Supervised Persons* receive commissions or other additional compensation as a result of Ortner, O'Brien & Ortner's recommendations. Ortner, O'Brien & Ortner has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

## Ortner, O'Brien & Ortner Advisory Group, Inc. Disclosure Brochure

For accounts covered by ERISA (and such others that Ortner, O'Brien & Ortner, in its sole discretion deems appropriate), Ortner, O'Brien & Ortner provides its investment advisory services on a fee-offset basis. In this scenario, Ortner, O'Brien & Ortner may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by Ortner, O'Brien & Ortner's *Supervised Persons* in their individual capacities as registered representatives of *LBC*.

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

Ortner, O'Brien & Ortner does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

Ortner, O'Brien & Ortner provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Account Size

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As a condition for starting and maintaining a relationship, the firm generally imposes a minimum portfolio size of \$1,000,000. Ortner, O'Brien & Ortner, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. The firm only accepts clients with less than the minimum portfolio size if, in the sole opinion of Ortner, O'Brien & Ortner, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Ortner, O'Brien & Ortner may aggregate the portfolios of family members to meet the minimum portfolio size.

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

### Methods of Analysis

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Ortner, O'Brien & Ortner employs a largely fundamental analytical approach to managing clients' portfolios and assessing investment opportunities.

Fundamental analysis involves the examination of the fundamental financial condition and competitive position of a company. Ortner, O'Brien & Ortner analyzes the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### Investment Strategies

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#### *Investment Policy Statement*

Ortner, O'Brien & Ortner constructs an Investment Policy Statement ("IPS") for each client which acts as the framework for the firm's investment management services. The IPS includes thresholds for both general asset allocation holdings and specific asset class holdings, as well as a rebalancing policy.

The general asset allocation holding limits set forth minimum and maximum percentages of investment in a single general asset class. The specific asset class holding limits set forth a permissible range of asset class positions. This range is based on long-term historical returns and variances, but also accounts for current economic conditions.

The firm feels that the rebalancing policy is very important to maintaining its clients' risk levels. The percentage weighting to each asset class within the portfolios generally varies with the financial markets over time. Rebalancing a portfolio is the systematic method of reallocating the portfolio back to its original allocation after movement in the financial markets. Generally, this process consistently causes one asset class to be sold high (moving some gains from a fund that has performed well) and cause another asset class to be purchased low (by moving the gains into a fund that has not performed well in relation).

#### *Portfolio Management*

Ortner, O'Brien & Ortner primarily recommends mutual fund managers. The fund managers that comprise the firm's list of recommended funds pass its due diligence process, as set forth by the firm's investment committee. The process of ongoing selection and review includes:

At least Quarterly.

- Review and update of mutual fund money manager performance, which is used to compare and track against the appropriate benchmarks.

- Examination of the investment analysis software, which is used to review total returns, risk factors, top holdings and style drift.
- Overlap analysis which is used to review diversification and correlation of top holdings.
- Contact those on the firm's list of recommended fund money managers or investment company representatives to discuss current investment policy and check for consistencies in philosophy and personnel at the management level.

Annually.

- Contact those on the firm's list of recommended mutual fund companies to discuss their outlook for the coming year.

### *Mutual Fund Selection Criteria*

Ortner, O'Brien & Ortner generally seeks out those mutual funds with the following attributes:

- Fund managers that adhere to clearly stated investment objectives.
- Funds with no loads (i.e., shares sold without a charge or commission).
- Equity funds with expense ratios of less than 1.2%.
- Bond fund with expense ratios of less than 0.6%.
- Fund managers with at least a five-year history and a consistent management record.
- Equity funds with what the firm determines are well-diversified portfolio holdings.
- Equity funds that do not hold positions in any one company that exceed 7% of their total portfolio.

### **Risks of Loss**

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#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

#### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees,

redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Market Risks*

The profitability of a significant portion of Ortner, O'Brien & Ortner's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Ortner, O'Brien & Ortner will be able to predict those price movements accurately.

### *Use of Private Collective Investment Vehicles*

Ortner, O'Brien & Ortner may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

## **Item 9. Disciplinary Information**

Ortner, O'Brien & Ortner is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Ortner, O'Brien & Ortner does not have any required disclosures to this Item.



## Item 10. Other Financial Industry Activities and Affiliations

Ortner, O'Brien & Ortner is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

### Registered Representatives of Broker Dealer

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Certain of the firm's *Supervised Persons* are registered representatives of *LBC*. This arrangement is discussed further in response to Item 5 (above).

### Registration as Insurance Agency

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Ortner, O'Brien & Ortner is a duly licensed insurance agency. Additionally, certain of Ortner, O'Brien & Ortner's *Supervised Persons*, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that Ortner, O'Brien & Ortner or its *Supervised Persons* recommend the purchase of insurance products where Ortner, O'Brien & Ortner or its *Supervised Persons* receive insurance commissions or other additional compensation.

### Related Certified Public Accountant

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As discussed in Item 4 (above), Ortner, O'Brien & Ortner provides clients with a range of accounting and/or tax preparation services. One of the Principals of the firm, Mr. Francis C. Ortner, III ("Mr. Ortner, III") is a Certified Public Accountant ("CPA") and renders such services to clients on behalf of Ortner, O'Brien & Ortner.

Additionally, Mr. Ortner, III, in his individual capacity as a CPA, is the principal owner of Ortner Tax and Planning Services LLC ("Ortner Tax and Planning"), through which he provides individuals and institutions with accounting and tax related services. Mr. Ortner, III does not render services to the firm's advisory clients through Ortner Tax and Planning and, as such, this arrangement does not give rise to any conflicts of interest.

### Related Attorney

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One of the firm's Principals, Francis C. Ortner, Jr. ("Mr. Ortner, Jr.") is a licensed practicing attorney admitted to the Bar of the Commonwealth of Pennsylvania. While Ortner, O'Brien & Ortner provides clients with a range of non-investment related financial planning and consulting services, the firm does not render legal advice. No services provided by the firm are to be construed or interpreted as legal advice.

To the extent a client requires legal services, Ortner, O'Brien & Ortner generally recommends the services of Mr. Ortner, Jr. in his individual capacity as a licensed attorney. All legal services provided by Mr. Ortner, Jr. are done so independent of Ortner, O'Brien & Ortner pursuant to a separate agreement.

between the client and Mr. Ortner, Jr. Ortner, O'Brien & Ortner does not receive any portion of the fees charged by Mr. Ortner, Jr., referral or otherwise. Mr. Ortner maintains a limited legal practice, separate and distinct from the firm's financial planning and investment advisory services. Unless a client of the firm separately engages Mr. Ortner, Jr. as his/her/its attorney, clients should defer to the advice of their own counsel.

Clients are advised that since Mr. Ortner, Jr. is a Principal of Ortner, O'Brien & Ortner, any referral between the firm and Mr. Ortner, Jr. presents an inherent conflict of interest. In light of the foregoing, the firm is required to advise clients to discuss the engagement of Mr. Ortner, Jr. with independent legal counsel prior to signing the separate engagement letter to determine whether the engagement of Mr. Ortner, Jr. is in the client's best interest. Clients are under no obligation to engage Mr. Ortner, Jr. or Ortner, O'Brien & Ortner in connection with the engagement of the other.

### **Receipt of Referral Fees**

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In addition to the services mentioned herein, Ortner, O'Brien & Ortner maintains strategic alliances with other firms outside of the financial services industry that may offer complimentary services to certain of its clients. Where Ortner, O'Brien & Ortner refers a client to one of these companies, and the client subsequently engages that company, Ortner, O'Brien & Ortner may receive a referral fee from that firm in consideration for the referral.

Specifically, Ortner, O'Brien & Ortner does not render banking services to its clients and is not itself a bank. However, the firm may recommend certain of its clients to EverBank, a federal savings bank headquartered in Jacksonville, Florida. EverBank renders banking services independently of Ortner, O'Brien & Ortner. Ortner, O'Brien & Ortner may receive up to 40 basis points (i.e., 0.40%) of any account deposits maintained at EverBank as a result of the referral.

## Item 11. Code of Ethics

Ortner, O'Brien & Ortner has adopted a code of ethics in compliance with applicable securities laws ("*Code of Ethics*") that sets forth the standards of conduct expected of its *Supervised Persons*. Ortner, O'Brien & Ortner's *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its *Supervised Persons* and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of Ortner, O'Brien & Ortner's personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, Ortner, O'Brien & Ortner *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client where there may be a potential for conflict, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Ortner, O'Brien & Ortner to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Ortner, O'Brien & Ortner generally recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which Ortner, O'Brien & Ortner considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables Ortner, O'Brien & Ortner to obtain many no-load mutual funds without transaction charges and other no-load or load-waived mutual funds at nominal transaction charges. *Fidelity* charges commission rates that are generally considered discounted from customary retail commission rates. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Ortner, O'Brien & Ortner's clients comply with Ortner, O'Brien & Ortner's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Ortner, O'Brien & Ortner determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Ortner, O'Brien & Ortner seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Ortner, O'Brien & Ortner periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Ortner, O'Brien & Ortner in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Ortner, O'Brien & Ortner will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Ortner, O'Brien & Ortner (as described below). As a result, 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. Subject to its duty of best execution, Ortner, O'Brien & Ortner may decline a client's request to direct brokerage if, in Ortner, O'Brien & Ortner's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless Ortner, O'Brien & Ortner decides to purchase or sell the same securities for several clients at approximately the same time. Ortner, O'Brien & Ortner may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Ortner, O'Brien

& Ortner's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Ortner, O'Brien & Ortner's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Ortner, O'Brien & Ortner determines to aggregate client orders for the purchase or sale of securities, including securities in which Ortner, O'Brien & Ortner's *Supervised Persons* may invest, Ortner, O'Brien & Ortner generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Ortner, O'Brien & Ortner does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Ortner, O'Brien & Ortner determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Ortner, O'Brien & Ortner may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Ortner, O'Brien & Ortner in its investment decision-making process. Such research generally will be used to service all of Ortner, O'Brien & Ortner's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Ortner, O'Brien & Ortner does not have to produce or pay for the products or services.

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain *Supervised Persons* in their respective individual capacities, are registered representatives of LBC. These *Supervised Persons* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless LBC provides written consent. Therefore, clients are advised that certain *Supervised Persons* may be

restricted to conducting securities transactions through *LBC* unless they first secure written consent from *LBC* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *LBC*, these *Supervised Persons* are prohibited from executing securities transactions through any broker-dealer other than *LBC* under *LBC*'s internal supervisory policies. Ortner, O'Brien & Ortner is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Software and Support Provided by Financial Institutions**

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Ortner, O'Brien & Ortner may receive from *Fidelity*, without cost to Ortner, O'Brien & Ortner, computer software and related systems support, which allow Ortner, O'Brien & Ortner to better monitor client accounts maintained at *Fidelity*. Ortner, O'Brien & Ortner may receive the software and related support without cost because Ortner, O'Brien & Ortner renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit Ortner, O'Brien & Ortner, but not its clients directly. In fulfilling its duties to its clients, Ortner, O'Brien & Ortner endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Ortner, O'Brien & Ortner's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Ortner, O'Brien & Ortner's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, Ortner, O'Brien & Ortner may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

## Item 13. Review of Accounts

### Account Reviews

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For those clients to whom Ortner, O'Brien & Ortner provides investment management services, Ortner, O'Brien & Ortner monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Ortner, O'Brien & Ortner provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of Ortner, O'Brien & Ortner's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with the firm and to keep the firm informed of any changes thereto. Ortner, O'Brien & Ortner contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### Account Statements and General Reports

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom the firm provides investment advisory services will also receive a report from Ortner, O'Brien & Ortner that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Ortner, O'Brien & Ortner.

### Financial Planning/Consulting Reports

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Those clients to whom Ortner, O'Brien & Ortner provides financial planning and/or consulting services will receive reports from the firm summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Ortner, O'Brien & Ortner.

## Item 14. Client Referrals and Other Compensation

### **Economic Benefits**

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Ortner, O'Brien & Ortner is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. The firm may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

### **Client Referrals**

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In addition, Ortner, O'Brien & Ortner is required to disclose any direct or indirect compensation that it provides for client referrals. The firm does not compensate for referrals.



## Item 15. Custody

Ortner, O'Brien & Ortner's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Ortner, O'Brien & Ortner through such *Financial Institution* to debit the client's account for the amount of Ortner, O'Brien & Ortner's fee and to directly remit that management fee to Ortner, O'Brien & Ortner in accordance with applicable custody rules.

The *Financial Institutions* recommended by Ortner, O'Brien & Ortner have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Ortner, O'Brien & Ortner. In addition, as discussed in Item 13, Ortner, O'Brien & Ortner also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from the firm.

## Item 16. Investment Discretion

Ortner, O'Brien & Ortner may be given the authority to exercise discretion on behalf of clients. Ortner, O'Brien & Ortner is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Ortner, O'Brien & Ortner is given this authority through a power-of-attorney included in the agreement between Ortner, O'Brien & Ortner and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Ortner, O'Brien & Ortner takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## Item 17. Voting Client Securities

Ortner, O'Brien & Ortner does not accept the authority to vote clients' securities (i.e., proxies) on their behalves. Clients receive proxies directly from the *Financial Institutions* where their assets are custodied and may contact the Firm at the number on the cover of this brochure with questions about proxies and/or other such solicitations.

## Item 18. Financial Information

Ortner, O'Brien & Ortner is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.



Ortner, O'Brien & Ortner  
ADVISORY GROUP, INC.

Prepared by:



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