

Item 1 – Cover Page

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**February 14, 2012**

**This brochure provides information about the qualifications and business practices of Hawtree Advisory Group, LLC. If you have any questions about the contents of this Brochure, please contact us at 520-886-5161 and/or [sam@Hawtreegroup.com](mailto:sam@Hawtreegroup.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Hawtree Advisory Group, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Hawtree Advisory Group, LLC is 124492.**

**Any references to Hawtree Advisory Group, LLC as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.**

**Item 2 - MATERIAL CHANGES**

February 14, 2012 – Revisions

Item 4 updated assets under management - changed discretionary assets under management from \$39 million to \$36,900,000 and non-discretionary assets from \$490,000 to \$400,000.

Item 8. C – Added disclosure of the use of stocks and risks associated with stocks

Item 19 – Added disclosure language for a state registered firm.

At least annually, this section will discuss only specific material changes that are made to the Brochure and provide you with a summary of such changes. Additionally, reference to the date of the last annual update to this Brochure will be provided.

The material changes discussed above are only those changes that have been made to this brochure since the firm's last annual update of the brochure. The date of the last annual update of the brochure was March 29, 2011.

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Brochure Supplements

#### Item 4 - ADVISORY BUSINESS

Hawtree Advisory Group, LLC (hereinafter referred to as “Hawtree Advisory”) is an investment advisory firm offering a variety of advisory services customized to your individual needs.

- A. Hawtree Advisory was created in November of 2002. Samuel E. Hawtree Advisory is the Managing Member and sole owner.
- B. Hawtree Advisory offers the following advisory services. As previously stated, each of the services is more fully described below.
  - Asset Management Services
  - Variable Annuity Monitoring and Sub-Account Allocation
  - Financial Planning and Consulting Services

Hawtree Advisory tailors the advisory services it offers to your individual needs. You may impose restrictions and/or limitations on the investing in certain securities or types of securities.

Hawtree Advisory will meet with you and conduct personal interview to gather information about you and learn as much as we can about your financial situation, goals and objectives and concerns. You should expect to attend at least three to five meetings. Additionally, Hawtree Advisory may have you complete or complete with you a data gathering form. Depending on the services you have requested, Hawtree Advisory will gather various financial information and history from you including, but not limited to:

- ☐ Retirement and financial goals
- ☐ Investment objectives
- ☐ Investment horizon
- ☐ Financial needs
- ☐ Cash flow analysis
- ☐ Cost of living needs
- ☐ Education needs
- ☐ Savings tendencies

- C. Other applicable financial information required by Hawtree Advisory in order to provide the investment advisory services requested.
- D. Hawtree Advisory does not participate in a wrap fee program.
- E. As of December 31, 2011, Hawtree Advisory has approximately \$36,900,000 million of client assets under discretionary management and approximately \$400,000 of non-discretionary client assets under management.

## **Asset Management Services**

Hawtree Advisory will provide asset management services on a continuous and ongoing basis. Hawtree Advisory will determine and present you with an asset allocation specific to your individual investment goals, objectives, risk tolerance, and investment time horizon. Hawtree Advisory has designed various model portfolios. After evaluating your information gathered by Hawtree Advisory, Hawtree Advisory will determine which of its model portfolios would be most suitable for you. Hawtree Advisory then customizes your portfolio allocation taking into consideration your limitations or restrictions, the market and economy at the time and your financial situation, goals and objectives.

Hawtree Advisory's style of management involves tactical investment models which are subject to change based on the changing market conditions.

Hawtree Advisory has created five basic portfolios: 1) Income; 2) Income with Growth; 3) Growth with Income; 4) Moderate Growth; and 5) Aggressive Growth. Your managed account may be similarly managed and contain similar holdings as compared to other clients' managed accounts.

Unless otherwise expressly requested by you, Hawtree Advisory will manage the account and will make changes to the allocation as deemed appropriate by Hawtree Advisory. Hawtree Advisory will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. Hawtree Advisory may actively trade securities and hold such holdings for periods of 30 days or less or maintain positions for longer or shorter term periods. Discretionary authority will be granted by you to Hawtree Advisory by execution of the Asset Management agreement.

If you elect to have your accounts managed on a non-discretionary basis, no changes will be made to the allocation of your account without prior consultation with you and your expressed agreement.

You are advised transactions in the account, account reallocations and rebalancing may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other qualified retirement accounts.

If you establish the account with securities previously purchased through the Advisory Representatives of Hawtree Advisory, the Advisory Representative may have already received commissions on the purchase. If the account is opened with cash proceeds from the sale of securities purchased through the Advisory Representative, the Advisory Representative may already have received commissions on the sale.

## **Variable Annuity Monitoring and Sub-Account Allocation**

Clients who have purchased variable products and would like ongoing monitoring and asset allocation services provided on the sub-accounts may engage Hawtree Advisory to provide monitoring and asset allocation services. Hawtree Advisory will assist in determining an asset

allocation among the available sub-accounts within the variable product and monitor the accounts on an ongoing basis. Periodically, Hawtree Advisory will rebalance and may reallocate the account.

You may grant Hawtree Advisory discretionary authority to manage the sub-accounts as deemed appropriate by Hawtree Advisory. Discretionary authority will be granted in the advisory agreement executed with Hawtree Advisory.

### **Financial Planning and Consulting Services**

Hawtree Advisory offers financial planning and consulting services based upon your specific needs. Such services may include:

- Retirement planning
- Business succession planning
- Asset allocation recommendations
- Estate planning
- Cash flow analysis
- Personal finance and tax planning

Hawtree Advisory will schedule a meeting with you and present the analysis of your situation and recommendations for steps to be taken to assist you to work toward your financial goals.

Plans are based on your financial situation at the time and are based on financial information disclosed by you to Hawtree Advisory. You are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. Hawtree Advisory cannot offer any guarantees or promises that your financial goals and objectives will be met. Further, you must continue to review the plan and update the plan based upon changes in your financial situation, goals, or objectives or changes in the economy. Should your financial situation or investment goals or objectives change, you must notify Hawtree Advisory promptly of the changes. You are advised that the advice offered by Hawtree Advisory may be limited and is not meant to be comprehensive. Therefore, you may need to seek the services of other professionals such as an insurance adviser, attorney and/or accountant.

You are not obligated to implement advice through Hawtree Advisory or Advisory Representatives. Should you implement the plan with Hawtree Advisory's Advisory Representatives commissions or other compensation may be received in addition to the advisory fee paid to Hawtree Advisory.

### **General Information**

You are advised the investment recommendations and advice offered by Hawtree Advisory are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant. You are advised that it is necessary to inform Hawtree Advisory promptly with respect to any changes in your financial situation and investment goals and objectives. Failure to notify Hawtree Advisory of any such changes could result in investment recommendations not meeting your needs.

## Item 5 - FEES AND COMPENSATION

### Asset Management Services and Variable Annuity Monitoring and Sub-Account Allocation

- A. Fees are negotiable and are not based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds.

You may make additions to the Account or withdrawals from the Account, provided the Account continues to meet minimum account size requirements. No fee adjustments will be made for partial withdrawals or additional deposits made to the account during a calendar quarter. In addition, no fee adjustments will be made for Account appreciation or depreciation.

Portfolio Value	Maximum Annual Fee
\$50,000 - \$250,000	2.25%*
\$250,001 - \$500,000	2.00%
\$500,001 - \$1,000,000	1.50%
\$1,000,000+	1.00%

\*In the event the account falls below \$50,000, the minimum annual fee shall be \$1,125 annually or \$281.25 quarterly. Clients are advised that the fee may be excessive for the services received and similar advisory services may be obtained at a lower cost from another investment adviser.

Hawtree Advisory aggregates or households all of your managed accounts together to determine your quarterly fee.

Hawtree Advisory may change the above fee schedule upon 30-days prior written notice to you.

- B. Advisory fees will generally be collected directly from your account, provided you have given Hawtree Advisory written authorization. You will be provided with an account statement reflecting the deduction of the advisory fee direct from the account custodian. If the Account does not contain sufficient funds to pay advisory fees, Hawtree Advisory has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse the account for advisory fees paid to Hawtree Advisory, except for ERISA and IRA accounts. You will be provided the option to issue payment directly to Hawtree Advisory for quarterly advisory fees. Fees will be due to Adviser upon receipt of the invoice.
- C. In addition to the advisory fees above, you will pay transaction fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule. Additionally, you may pay fees for custodial services, account maintenance fees, transaction fees, and other fees associated with maintaining the Account. Such fees are not charged by Hawtree Advisory. They are charged by the product, broker/dealer or account custodian. Hawtree Advisory does not share in any portion of such fees. Additionally, you may pay your proportionate share of the fund's management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund they purchase. Such advisory fees are not

shared with Hawtree Advisory and are compensation to the fund-manager. You should read the mutual fund prospectus prior to investing.

- D. Fees are payable in advance of each calendar quarter based on the asset value of the account as of the last business day of the just completed calendar quarter.

The initial fee is calculated based on the opening account value of the account multiplied by the annual advisory fee, the sum divided by 365 days and multiplied by the number of days in the calendar quarter counted as of the date of execution of the client agreement to the end of the calendar quarter, unless otherwise negotiated. Thereafter, the quarterly fee will be calculated based on the value of the account on the last business day of the just completed calendar quarter and the sum multiplied by 0.25%.

- E. You are advised Advisory Representatives of Hawtree Advisory are dually registered representatives of Ceros ("Ceros"), a registered broker/dealer, member of the Financial Regulatory Association (FINRA) and SIPC. Advisory Representatives of Hawtree Advisory who are Registered Representatives may receive trail commissions (i.e. 12b-1 fees) for a period of time as a result of directing securities transactions through Ceros. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from your assets. 12b-1 fees may be initially paid to Ceros and a portion passed to the Advisory Representatives. The receipt of such fees could represent an incentive for the Advisory Representatives to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest.

As stated above, Hawtree Advisory recommends mutual funds that pay 12b-1 fees and no-load funds.

You may purchase the securities recommended by Hawtree Advisory directly or through other brokers or agents not affiliated with Hawtree Advisory.

#### Termination Provisions

You may terminate investment advisory services obtained from Hawtree Advisory, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Hawtree Advisory. You will be responsible for any fees and charges incurred from third parties as a result of maintaining the Account such as transaction fees for any securities transactions executed and Account maintenance or custodial fees. Thereafter, you may terminate investment advisory services upon Hawtree Advisory's receipt of your written notice to terminate. Should you terminate investment advisory services during a quarter, you will be issued a pro-rated refund of the advisory fee from the date of termination to the end of the quarter.

#### **Financial Planning and Consulting Services**

You are advised that fees for planning services are strictly for planning services. Therefore, you may pay fees and/or commissions for additional services obtained such as asset management or products purchased such as securities or insurance.



## Hawtree Advisory Group, LLC

Fees are negotiable. Your fees will be dependent on several factors including time spent with Hawtree Advisory, number of meetings, complexity of your situation, amount of research, services requested and staff resources. You will be quoted a fee at the time of execution of the advisory agreement. Hourly fees are generally charged when Hawtree Advisory is attempting to define the services you need and special research requests. A fixed fee will generally be quoted to you upon Hawtree Advisory understanding the scope of your situation and services required. Additional fees may be charged for subsequent evaluation, additional analysis and other requests for financial advice.

Fee Type	Maximum Fee	Payable
Fixed Fee	\$5,000*	Generally, One-half (1/2) of the quoted fee is due upon execution of the advisory agreement and the balance due upon completion of the advisory services.
Advisor Hourly Fee	\$300 per hour*	Payable at the end of each month based upon time spent by Hawtree Advisory.
Para-Planner Hourly Fee	\$200 per hour*	

\* In addition to the fees above, you may be billed for travel expenses, phone expenses, overnight delivery fees and other costs and expenses incurred by Hawtree Advisory.

### Termination Provisions

You may terminate advisory services obtained from Hawtree Advisory, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Hawtree Advisory. Thereafter, you may terminate advisory services upon Hawtree Advisory's receipt of your written notice, with your original signature, to terminate. You will be responsible for any time spent by Hawtree Advisory. Any refund of pre-paid fees will be calculated based upon work already done and time spent multiplied by the hourly rate. Advisory services are deemed completed upon presentation of the advisory services.

### **Item 6 - PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

This section is not applicable to Hawtree Advisory since Hawtree Advisory does not charge performance based fees.

### **Item 7 - TYPES OF CLIENTS**

Hawtree Advisory's services are geared toward individuals; both high net worth (i.e. clients with a net worth of \$1,500,000) and other than high net worth individuals.

Hawtree Advisory generally requires a minimum amount of assets be deposited to an account for the purpose of obtaining Asset Management Services. Hawtree Advisory will generally require you to deposit a minimum of \$250,000 (based on an aggregate of all client's accounts and related family accounts). Should accounts fall below the minimum account size, Hawtree Advisory may require

additional monies and/or securities to be deposited to bring the account value up to the required minimum or the Account to be closed.

As previously disclosed under the section Fees and Compensation, accounts valued below \$50,000 will be charged a minimum annual fee. The minimum annual fee shall be \$1,125 annually or \$281.25 quarterly. You are advised that the fee may be excessive for the services received and similar advisory services may be obtained at a lower cost from another investment adviser.

Under certain circumstances, Hawtree Advisory may waive the minimum account size requirement and accept accounts less than \$250,000. Such circumstances may include, but not be limited to: 1) additional assets will soon be deposited or; 2) you have other accounts under management with Hawtree Advisory. You are advised performance may suffer due to difficulties with diversifying smaller accounts and due to risk controls potentially being compromised. Performance of smaller accounts may vary from the performance of accounts with more dollars invested due to fluctuations in the market may affect smaller accounts more and the effects of compounding may be greater in larger accounts.

#### **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

- A. Hawtree Advisory uses relative strength analysis combined with technical analysis in an attempt to achieve each model's target objective. Technical analysis generally involves studying trends and movements in a security's price, trading volume, and other market-related factors in an attempt to discern patterns.
- B. You are advised investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the management programs offered by Hawtree Advisory will require you to be prepared to bear the risk of loss and fluctuating performance.

Hawtree Advisory does not represent, warrant or imply that the services or methods of analysis used by Hawtree Advisory can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Hawtree Advisory will provide a better return than other investment strategies.

- C. Hawtree Advisory primarily uses mutual funds, exchange traded funds ("ETFs"), stock and bonds. The risks with mutual funds include the costs and expenses within the fund that can impact performance, change of managers, and fund straying from its objective. Open ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day. Mutual fund fees are described in the fund's prospectus, which the custodian mails directly to the client following any purchase of a mutual fund that is new to the client's account. In addition, a prospectus is available online at each mutual fund company's Web site.

At the client's request at any time Hawtree Advisory will direct the client to the appropriate Web page to access the prospectus.

ETFs trade on an auctionable market. Therefore, there is more price fluctuation with ETFs than with mutual funds since ETFs trade throughout the day, whereas mutual funds are priced once a day. Also, since most ETFs only mirror a market index, such as the S&P 500, they won't outperform the index.

The risks with stocks and bonds are that their prices fluctuate throughout the day. Stocks can drop in value and become worthless. The risks with stocks are market risk and company specific risk. The price of a stock can decline due to company-specific reasons as well as the health of the overall stock market. Even dividends, which many beginning investors believe are guaranteed payments by the company, can decline or be totally eliminated.

The risks with bonds are interest rate, inflation and credit risk. Credit risk is the risk that the bond issuer will be unable to make its payments on time or at all, effectively default on the bonds.

#### **Item 9 - DISCIPLINARY INFORMATION**

There is no reportable disciplinary information required for Hawtree Advisory or its management persons that is material to your evaluation of Hawtree Advisory, its business or its management persons.

#### **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- A. As previously stated, Advisory Representatives are dually registered as an advisory representative of Hawtree Advisory and as a registered representative of Ceros Financial Services Inc. You are under no obligation to purchase or sell securities through your Advisory Representative. However, if you choose to implement the plan, commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at Ceros than at other broker/dealers. Advisory Representatives may have a conflict of interest in having you purchase securities and/or insurance related products through Ceros in that the higher their production with Ceros the greater potential for obtaining a higher pay-out on commissions earned.
- B. Under the rules and regulations of the FINRA, Ceros has an obligation to perform certain supervisory functions regarding certain activities engaged in by advisory representatives who are also registered representatives of Ceros. For such supervisory functions, Hawtree Advisory may pay Ceros a portion of the advisory fees they receive. Ceros and Hawtree Advisory are not affiliated.
- C. Hawtree Advisory is not and does not have a related person who is a: futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the

foregoing entities. Further, Hawtree Advisory is not and does not have a related person who is: broker/dealer or other similar type of broker or dealer; investment company or other pooled investment vehicle, other investment adviser or financial planner; futures commission merchant or commodity pool operator; banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; pension consultant; real estate broker or dealer; or sponsor or syndicator of a limited partnership.

Hawtree Advisory attempts to mitigate the conflicts of interest with the potential receipt of commissions if recommendations are implemented by providing you with these disclosures. Further, you are encouraged to consult other professionals and may implement recommendations through other financial professionals. Furthermore, as a registered representative with Ceros, Advisory Representatives are subject to a supervisory structure at Ceros for his securities business.

## **Item 11 - CODE OF ETHICS, PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code Of Ethics**

- A. Hawtree Advisory has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. Hawtree Advisory takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as Hawtree Advisory's policies and procedures. Further, Hawtree Advisory strives to handle your non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides you with Hawtree Advisory's Privacy Policy. As such, Hawtree Advisory maintains a code of ethics for its Advisory Representatives, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about your transactions. Further, Hawtree Advisory's Code of Ethics establishes Hawtree Advisory's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.
- B. Hawtree Advisory has established the following restrictions in order to ensure its fiduciary responsibilities:
  - 1) Advisory Representatives 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 affiliation with Hawtree Advisory or Ceros Financial Services, Inc., unless the information is also available to the investing public on reasonable inquiry. No person shall prefer his or her own interest to that of the advisory client. (1) (2)
  - 2) All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
  - 3) Hawtree Advisory emphasizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where a Third Party Advisory Service is granted discretionary authority in the client's account.

Hawtree Advisory Group, LLC

- 4) Hawtree Advisory requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance of the above may be subject to termination.

### **Footnotes**

- (1) This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of Hawtree Advisory's client's trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with Hawtree Advisory's records in the manner set forth above.
  - (2) Open-end mutual funds and/or the investment sub-accounts which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds and/or variable insurance products by Advisory Representatives are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by Hawtree Advisory's Investment policies and procedures.
- C. Hawtree Advisory and its associated persons may buy or sell securities identical to those securities recommended to you. Therefore, Hawtree Advisory and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold to you. Hawtree Advisory and its associated persons will not put their interests before your interest. Hawtree Advisory and its associated persons may not trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients.
- D. Hawtree Advisory is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

You have the right to decline any investment recommendation. Hawtree Advisory and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

### **Prohibition on Use of Insider Information**

Hawtree Advisory has adopted policies and procedures to prevent the misuse of "insider" information (i.e. material non-public information). A copy of such policies and procedures is available to any person upon request.

## **Item 12 - BROKERAGE PRACTICES**

As previously stated, Advisory Representatives are registered representatives of Ceros. As a result they are subject to FINRA Conduct Rule 3040 which may restrict such them from conducting

securities transactions away from Ceros unless Ceros provides them with written authorization. Hawtree Advisory is independently owned and operated and not affiliated with Ceros.

You are advised that not all investment advisers require you to maintain accounts at a specific broker/dealer. You are advised you may maintain accounts at another broker/dealer. However, the services provided by Hawtree Advisory will be limited to only advice and will not include implementation. If you who select another brokerage firm for custodial and/or brokerage services you will not be able to receive asset management services from Hawtree Advisory.

In initially selecting Ceros, Hawtree Advisory conducted due diligence. Hawtree Advisory's evaluation and criteria includes:

- Ability to service you
- Staying power as a company
- Industry reputation
- Ability to report to you and to Hawtree Advisory
- Availability of an efficient trading platform
- Products and services available
- Technology resources
- Educational resources
- Execution capability
- Financial responsibility and viability
- Confidentiality and security of your information
- Responsiveness
- Other factors that may bear on the overall evaluation of best price and execution

Additionally, periodically Hawtree Advisory will review transaction costs in light of current market circumstances, available published statistical analysis as well as other relevant information.

Best execution does not simply mean the lowest transaction cost. Therefore, no single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian.

You are advised there is an incentive for Hawtree Advisory and the Advisory Representatives to recommend a broker/dealer over another based on the products and services that will be received rather than your best interest.

Ceros has a wide range of approved securities products for which Ceros performs due diligence prior to selection. Ceros' registered representatives are required to adhere to these products when implementing securities transactions through Ceros. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Cero also provides Advisory Representatives, and therefore the Hawtree Advisory, with back-office operational, technology, and other administrative support. Other services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. Such services are intended to help Advisory Representatives and Hawtree Advisory manage and further develop its business enterprise.

Ceros and its clearing broker/dealer, National Financial Services, also make available to Hawtree Advisory other products and services that benefit Hawtree Advisory but may not directly benefit you. Some of these other products and services assist Hawtree Advisory with managing and administering your accounts. These include software and other technology that provide access to your account data (such as trade confirmation and account statements); facilitate trade execution; provide research, pricing information and other market data; facilitate payment of Hawtree Advisory's fees from your accounts; and assist with back-office functions; record-keeping and client reporting. Many of these services generally may be used to service all or a substantial number of Hawtree Advisory's accounts, including accounts not held through Ceros.

Hawtree Advisory may aggregate ("bunch") transactions in the same security on behalf of more than one client in an effort to strive for best execution and to possibly reduce the price per share and/or other costs to clients. However, aggregated or bunched orders will not reduce the transaction costs to participating clients. Hawtree Advisory conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. Participating clients will obtain the average share price per share for the security executed that day. To the extent the aggregated order is not filled in its entirety and when possible, securities purchased or sold in an aggregated transaction will be allocated on a random basis. Under certain circumstances, the amount of securities maybe increased or decreased to avoid holding odd-lot or a small number of shares for particular clients.

### **Item 13 - REVIEW OF ACCOUNTS**

- A. If you are participating in the Asset Management services you will be invited to participate in at least an annual review. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Hawtree Advisory will monitor for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which your assets are invested, and market shifts and corrections.

If you are participating in Financial Planning and Consulting services you will not receive regular reviews. Hawtree Advisory recommends you have at least an annual review and update to any plans. However, the time and frequency of the reviews is solely your decision.

Reviews are conducted by Samuel Hawtree, Member and Advisory Representative, and Richard Ellingson, Advisory Representative

- B. You are advised that you must notify your Advisory Representative promptly of any changes to your financial goals, objectives or financial situation as such changes may require them to review the portfolio allocation and make recommendations for changes.
- C. You will be provided statements at least quarterly direct from the account custodian. Additionally, you will receive confirmations of all transactions occurring direct from the account custodian. Upon request, Hawtree Advisory can provide you with a consolidated report of your managed account. You should compare any report received from Hawtree



Advisory with statements received direct from the account custodian. Should there be any discrepancy the account custodian's report will prevail.

#### **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

- A. Product vendors recommended by Hawtree Advisory may provide monetary and non-monetary assistance with client events, provide educational tools and resources. Hawtree Advisory does not select products as a result of any monetary or non-monetary assistance. The selection of product is first and foremost. Hawtree Advisory's due diligence of a product does not take into consideration any assistance it may receive. Therefore, this is not considered a conflict of interest but a benefit for you and Hawtree Advisory.
- B. Hawtree Advisory does not directly or indirectly compensate any person who is not a supervised person of Hawtree Advisory for referrals. Further, Hawtree Advisory does not receive an economic benefit from a non-client for providing investment advice or advisory services to you.

#### **Item 15 - CUSTODY**

With the exception of deduction of Hawtree Advisory's advisory fees from your accounts, Hawtree Advisory does not take custody of your funds or securities.

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct your account custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. Your account custodian maintains actual custody of your assets. You will receive account statements directly from your account custodian at least quarterly. They will be sent to the email or postal mailing address you provided. You should carefully review those statements promptly when you receive them.

#### **Item 16 - INVESTMENT DISCRETION**

You may grant Hawtree Advisory authorization to manage your account on a discretionary basis. Discretionary authority will give Hawtree Advisory the authority to buy, sell, exchange, convert securities in your managed accounts. You will grant such authority to Hawtree Advisory by execution of the advisory agreement. You may terminate discretionary authorization at any time upon receipt of written notice by Hawtree Advisory.

Additionally, you are advised that:

- 1) You may set parameters with respect to when account should be rebalanced and set trading restrictions or limitations;
- 2) Your written consent is required to establish any mutual fund, variable annuity, or brokerage account;
- 3) Hawtree Advisory requires the use of the broker/dealer with which your Advisory Representative is registered for sales in commissionable mutual funds or variable annuities, if

- you elect to implement recommendations through your Advisory Representative;
- 4) With the exception of deduction of Hawtree Advisory's advisory fees from the account, if you have authorized automatic deductions, Hawtree Advisory will not have the ability to withdraw your funds or securities from the account.

#### **Item 17 - VOTING CLIENT SECURITIES**

Hawtree Advisory does not vote your securities. Unless you suppress proxies, securities proxies will be sent directly to you by the account custodian or transfer agent. You may contact Hawtree Advisory about questions you may have an opinions on how to vote the proxies. However, the voting and how you vote the proxies is solely your decision.

#### **Item 18 - FINANCIAL INFORMATION**

- A. Hawtree Advisory will not require you to prepay more than \$1,200 and six or more months in advance of receiving the advisory service.
- B. As stated above, Hawtree Advisory has discretionary authority over client accounts; however that authority does not extend to the withdrawal of any client assets, with the exception of deduction of Hawtree Advisory's advisory fees from your accounts. We are financially stable. There is no financial condition that is likely to impair our ability to meet our contract actual commitment to you or any other client.
- C. Neither Hawtree Advisory nor any of its Advisory Representatives has ever been the subject of a bankruptcy petition.

#### **Item 19 - REQUIREMENTS FOR STATE REGISTERED ADVISERS**

The formal education and business backgrounds of the principal executive officers and management persons are disclosed on the attached Supplements.

Hawtree Advisory is not actively engaged in any other business. Other businesses in which the principal executive officers and management persons are actively engaged are disclosed on the attached Supplements.

The principal executive officers and management persons have not been involved in any of the following.

An event involving an arbitration claim alleging damages in excess of \$2,500 involving:

- An investment or an investment related activity;
- fraud, false statement(s), or omissions;
- theft, embezzlement, or other wrongful taking of property;
- bribery, forgery, counterfeiting, or extortion; or
- dishonest, unfair, or unethical practices.

## Hawtree Advisory Group, LLC

An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- an investment or an investment-related business or activity;
- fraud, false statement(s), or omissions;
- theft, embezzlement, or other wrongful taking of property;
- bribery, forgery, counterfeiting, or extortion; or
- dishonest, unfair, or unethical practices.

Hawtree Advisory does not have any relationship or arrangement with any issuer of securities.

## **BROCHURE SUPPLEMENT**

**Samuel Hawtree**

**Hawtree Advisory Group, LLC  
6069 E. Grant Road  
Tucson, AZ 85712  
P: 520-886-5161  
[www.hawtreegroup.com](http://www.hawtreegroup.com)**

**February 14, 2012**

**This brochure supplement provides information about Samuel Hawtree that supplements the Hawtree Advisory Group, LLC brochure. You should have received a copy of that brochure. Please contact Samuel Hawtree if you did not receive Hawtree Advisory Group, LLC brochure or if you have any questions about the contents of this supplement.**

**Additional information about Samuel Hawtree is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Samuel Hawtree**

### **Educational Background and Business Experience**

*Year of Birth:* 1953

#### *Education:*

Dublin High School in Dublin, California

University of Arizona in Tucson, Arizona

College for Financial Planning in Denver, Colorado

Samuel Hawtree is a CERTIFIED FINANCIAL PLANNER, CFP® professional.

The CERTIFIED FINANCIAL PLANNER, CFP® and federally registered CFP marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by the Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals. Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:
  - Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field; and

- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

*Business Background:*

Name of Employer	Type of Business	Title	Period of Employment
Hawtree Financial Services	Financial Planning, Securities and Insurance	Managing Member, Registered Representative, Licensed Agent	1976 to Present
Hawtree Advisory Group, LLC	Advisory and Financial Planning	Managing Member, Advisory Representative	11/2002 to Present
Ceros Financial Services, Inc.	Broker/Dealer	Registered Representative	08/2009 to Present
Rydex Distributors, Inc.	Broker/Dealer	Registered Representative	02/2007 to 08/2009
FSC Securities Corporation	Broker/Dealer	Registered Representative	11/2000 to 02/2007
CUE	Broker/Dealer	Registered Representative	01/1989 to 11/2000
Anchor National Financial Services, Inc	Broker/Dealer	Registered Representative	02/1983 to 03/1989

## Disciplinary Information

Samuel Hawtree is not subject to legal or disciplinary events that are material to a client or prospective client’s evaluation of him or the services offered by him.

## Other Business Activities

Samuel Hawtree is dually registered as an advisory representative of Hawtree Advisory Group, LLC (“Hawtree Advisory”) and as a registered representative of Ceros Financial Services, Inc., a registered broker/dealer, member of the Financial Industry Regulatory Association and SIPC. Clients are under no obligation to purchase or sell securities through Samuel Hawtree. Ceros and Hawtree Advisory are not affiliated. Sam is an independent contractor of Ceros.

Sam may recommend clients implement recommendations through Ceros. If the clients implement investment recommendations through Ceros on a non-fee basis, Sam will receive a commission. Additionally, as further disclosed in the Disclosure Brochure under the section entitled Fees and Compensation, Sam may receive trail compensation for investments directed through Ceros. Therefore, there is a conflict of interest to cause a client to direct certain securities business through Ceros.

Additionally, Sam is a licensed insurance agent. You are not obligated to purchase insurance or securities products through Sam. However, if you implement insurance recommendations through him, he will receive commissions. The insurance business is a minority of his business in which he spends less than five percent of his time and the amount of income he receives from insurance business fluctuates depending on the amount of sales. You are advised there may be other insurance products and

services available through other insurance professionals at a lower cost than those products available through Sam.

Though the securities and insurance business is not the principal business of Mr. Hawtree or other Advisory Representatives, Hawtree Advisory believes the above disclosures are material and has voluntarily provided disclosure under this item. Securities and insurance business on a commission basis represents less than 5% of Sam's time and income.

Sam is not actively engaged in any other investment-related business or occupation. Further, he is not actively engaged in any other business or occupation for compensation. "Actively engaged" is deemed to mean the business activity represents more than 10 percent of his time and income.

### **Additional Compensation**

Samuel Hawtree does not receive any economic benefit (i.e. sales awards and other prizes) for providing advisory services from a non-client.

### **Supervision**

Supervision and oversight of the activities conducted through Hawtree Advisory is conducted by Samuel Hawtree, President and Chief Compliance Officer of Hawtree Advisory. Sam can be contacted at 520-886-5161. Sam reviews all transactions conducted in clients' accounts. Additionally, all account information required to establish an account for a client must flow through him. Sam has procedures in place to be aware of any outside business activities engaged in by Hawtree Advisory Representatives, oversee communications with the public, and reviews personal trading activities of Hawtree Advisors as well as in any account over which Hawtree Advisors have direct or indirect beneficial interest. Additionally, he has implemented written policies and procedures and a code of ethics which supervised persons are required to acknowledge.

### **Requirements for State-Registered Advisers**

Samuel Hawtree has not been involved in any arbitration claim or civil, self-regulatory organization, or administrative proceeding involving an investment or investment-related business or activity, fraud, false statement(s), or omissions, theft, embezzlement, or other wrongful taking of property, bribery, forgery, counterfeiting, or extortion, or dishonest, unfair, or unethical practices. Additionally, he has not been the subject of a bankruptcy petition.

## **BROCHURE SUPPLEMENT**

**Richard L. Ellingson**

**Hawtree Advisory Group, LLC**

**6069 E. Grant Road**

**Tucson, AZ 85712**

**P: 520-886-5161**

**[www.hawtreegroup.com](http://www.hawtreegroup.com)**

**February 14, 2012**

**This brochure supplement provides information about Richard L. Ellingson that supplements the Hawtree Advisory Group, LLC brochure. You should have received a copy of that brochure. Please contact Samuel Hawtree if you did not receive Hawtree Advisory Group, LLC brochure or if you have any questions about the contents of this supplement.**

**Additional information about Richard L. Ellingson is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**



## **Richard L. Ellingson**

### **Educational Background and Business Experience**

*Year of Birth:* 1946

#### *Education:*

University of North Dakota in Grand Forks, N. Dakota 1968 BSEE

Northern Illinois University in DeKalb, Illinois 1976 MBA

College of Financial Planning in Denver, Colorado 1988 CFP

Richard Ellingson is a CERTIFIED FINANCIAL PLANNER, CFP® professional.

The CERTIFIED FINANCIAL PLANNER, CFP® and federally registered CFP marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals. Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:
  - Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field; and

- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

*Business Background:*

Name of Employer	Type of Business	Title	Period of Employment
Hawtree Advisory Group, LLC	Advisory and Financial Planning	Advisory Representative	07/2008 to Present
Ceros Financial Services, Inc.	Broker/Dealer	Registered Representative	08/2009 to Present
Rydex Distributors, Inc.	Broker/Dealer	Registered Representative	02/2007 to 08/2009
FSC Securities Corporation	Broker/Dealer	Registered Representative	11/2000 to 02/2007
Cue	Broker/Dealer	Registered Representative	10/1997 to 11/2000

### **Disciplinary Information**

Richard L. Ellingson is not subject to legal or disciplinary events that are material to a client or prospective client’s evaluation of him or the services offered by him.

### **Other Business Activities**

Richard L. Ellingson is dually registered as an advisory representative of Hawtree Advisory Group, LLC (“Hawtree Advisory”) and as a registered representative of Ceros Financial Services, Inc., a registered broker/dealer, member of the Financial Industry Regulatory Association and SIPC. Clients are under no obligation to purchase or sell securities through Richard. Ceros and Hawtree Advisory are not affiliated. Richard is an independent contractor of Ceros.

Richard may recommend clients implement recommendations through Ceros. If the clients implement investment recommendations through Ceros on a non-fee basis, Richard will receive a commission. Additionally, as further disclosed in the Disclosure Brochure under the section entitled Fees and Compensation, Richard may receive trail compensation for investments directed through Ceros. Therefore, there is a conflict of interest to cause a client to direct certain securities business through Ceros.

Additionally, Richard is a licensed insurance agent. You are not obligated to purchase insurance or securities products through Richard. However, if you implement insurance recommendations through him, he will receive commissions. The insurance business is a minority of his business in which he spends less than five percent of his time and the amount of income he receives from insurance business fluctuates depending on the amount of sales. You are advised there may be other insurance products and services available through other insurance professionals at a lower cost than those products available through Richard.

Though the securities and insurance business is not the principal business of Mr. Hawtree or other Advisory Representatives, Hawtree Advisory believes the above disclosures are material and has voluntarily provided disclosure under this item. Securities and insurance business on a commission basis represents less than 5% of Richard's time and income.

Richard is not actively engaged in any other investment-related business or occupation. Further, he is not actively engaged in any other business or occupation for compensation. "Actively engaged" is deemed to mean the business activity represents more than 10 percent of his time and income.

### **Additional Compensation**

Richard L. Ellingson does not receive any economic benefit (i.e. sales awards and other prizes) for providing advisory services from a non-client.

### **Supervision**

Supervision and oversight of the activities conducted through Hawtree Advisory is conducted by Samuel Hawtree, President and Chief Compliance Officer of Hawtree Advisory. Sam can be contacted at 520-886-5161. Sam reviews all transactions conducted in clients' accounts. Additionally, all account information required to establish an account for a client must flow through him. Sam has procedures in place to be aware of any outside business activities engaged in by Hawtree Advisory Representatives, oversee communications with the public, and review personal trading activities of Hawtree Advisors as well as in any account over which Hawtree Advisors have direct or indirect beneficial interest. Additionally, he has implemented written policies and procedures and a code of ethics which supervised persons are required to acknowledge.

### **Requirements for State-Registered Advisers**

Richard L. Ellingson has not been involved in any arbitration claim or civil, self-regulatory organization, or administrative proceeding involving an investment or investment-related business or activity, fraud, false statement(s), or omissions, theft, embezzlement, or other wrongful taking of property, bribery, forgery, counterfeiting, or extortion, or dishonest, unfair, or unethical practices. Additionally, he has not been the subject of a bankruptcy petition.