



## FORM ADV PART 2A

RETIREMENT PLANS

### MULTNOMAH GROUP, INC.

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This Brochure provides information about the qualifications and business practices of Multnomah Group, Inc. If you have any questions about the contents of this Brochure, you may contact us at (888) 559-0159 or [Amy.Barber@MultnomahGroup.com](mailto:Amy.Barber@MultnomahGroup.com) to obtain answers and additional information. Multnomah Group, Inc. is an investment adviser registered with the Securities and Exchange Commission ("SEC"). Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

**ITEM 2 – MATERIAL CHANGES**

The date of our previous annual update to our Brochure was April 1, 2011. Since that time we have made significant revision to Item 8 to more fully describe our processes related to investment analysis and investment strategies, and the risks associated with certain types of investments and investing in general. Additionally, in September 2012 Amy Barber was hired as the firm's Chief Compliance Officer.

Our Brochure is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Multnomah Group, Inc. is 132131. We may provide ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Amy Barber, Chief Compliance Officer of Multnomah Group, Inc. at (888) 559-0159 or [Amy.Barber@MultnomahGroup.com](mailto:Amy.Barber@MultnomahGroup.com). Our Brochure is provided free of charge.

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**ITEM 4 – ADVISORY BUSINESS**

Multnomah Group, Inc. ("Multnomah" "we" or "us") is an independent Portland, Oregon based registered investment advisory firm providing a variety of investment advisory and consulting services to our Clients. This Brochure has been created to provide information relating to the services we provide to employer sponsored retirement plans.

The firm has been in business since 2003 and registered as an investment adviser with the SEC since 2005. The principal owners are Erik Daley, President and Scott Cameron. Amy Barber is the Chief Compliance Officer. Our approach uses broadly diversified portfolios and a systematic strategy to manage investments. We follow strict fiduciary standards, putting our Clients' interests before our own and seeking to avoid conflicts of interest with our Clients.

We provide comprehensive investment advisory, consulting and fiduciary services to defined benefit and defined contribution plan sponsors. The typical services we offer are generally described below:

Investment Consulting

- Development of an Investment Policy Statement ("IPS");
- Target investment allocation;
- Selection of investment vehicles for a plan;
- Ongoing monitoring of the investments.

Our investment recommendations primarily include mutual funds and exchange-traded funds. Additionally, we may provide advice on other types of investments such as collective investment trusts, insurance company accounts (separate or fixed), certificates of deposit, U.S. government securities, and money market funds. See Item 8 for a description of our investment strategy

Vendor Selection

- Interviews with the vendor selection committee to articulate the desired retirement plan structure;
- Development of a Request for Proposal ("RFP");
- Release of RFP to pre-qualified vendors;
- Management of vendor inquiries;



- Comprehensive report on the vendor proposals submitted, including projection of current and proposed fees;
- Recommendation, interviews and site-visits of finalists;
- Recommendation of vendor(s) for the management of the plan;
- Comprehensive implementation support.

### Plan Design

We have a wealth of experience in designing all types of qualified retirement plans including:

- 401(k);
- 403(b);
- 457;
- Profit Sharing;
- Defined Benefit;
- Cash Balance.

### Benchmarking

With our extensive experience managing retirement plans and our breadth of knowledge of the marketplace, Multnomah benchmarks all components including:

- Fiduciary audits;
- Fee audits;
- Investment performance reviews;
- Plan design studies;
- Vendor service reviews;
- 404(c) compliance;
- 403(b) regulatory analysis.

Our consulting services are provided under an agreement and within parameters set forth between us and the plan sponsor(s). If a plan sponsor engages us to provide advice to participants, such advice will be limited to general retirement planning issues, fund selection and asset allocation of plan assets.

We manage approximately \$3,928,629,251 of Client assets on a non-discretionary basis and \$111,609,669 of Client assets on a discretionary basis. These amounts were calculated as of December 31, 2011. We do not participate in or sponsor any wrap-fee programs.

**ITEM 5 – FEES AND COMPENSATION**

Fees are generally calculated as a flat fee, asset based, or a combination of both. We also provide hourly consulting services for other projects.

Our fees are highly dependent on a variety of factors, including: the size the portfolio, the specific work required by our agreement, the location of the Client and whether travel is required, and the number of meetings the Client requires, etc. As a result, we do not have a standard fee schedule that applies to all Clients. We do require a minimum fee of \$15,000 to provide ongoing investment advisory services. However, this minimum fee may be reduced or waived in our discretion.

Client fees are typically billed quarterly in advance. We send Clients an invoice and they alternately elect to pay that fee directly or instruct their custodian to pay the fee from plan assets. In certain instances, we may invoice clients less frequently on a semi-annual or annual basis.

AUM fees are charged quarterly in advance based upon the market value of the account at the end of the quarter. Fees for a partial quarter at the commencement or termination of an agreement will be prorated based on the number of days the account was open during the quarter. We may modify the terms of the fee agreement by giving Clients 60 days written notice in advance.

Market value means the value of all assets in the account (not adjusted by any margin debit). To determine value, securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded. Other readily marketable securities and other instruments shall be priced using a pricing service or through quotations from one or more dealers. In rare circumstances, less actively traded securities or other assets may not have readily available market quotations. When necessary, Multnomah will take steps to ensure that an appropriate valuation methodology is used to determine the value of the security.

Hourly fees range between \$150 - \$350 per hour depending on the personnel utilized, and the scope and complexity of the work to be performed. We invoice Clients monthly for hourly rate services/projects. A price for a fixed fee project is quoted at the start of a project. Clients are billed monthly based on our hourly rate until the quote is reached. Payment is due by Clients upon receipt of the invoice.

Clients pay brokerage transaction costs and other charges directly to the custodian. See Item 12.



Clients may be required to pay, in addition to our fee, a proportionate share of any investment product's (i.e. mutual fund, exchange-traded fund, variable annuity, etc.) fees and charges. For example, mutual fund operating expenses are paid out of the fund and are an additional expense incurred by the Client.

Fees include our time to work with a Client's attorney, accountant, or any third party. However, we are not responsible for any fees that may be separately charged to Client by those third parties.

Upon termination of any account or project, any prepaid but unearned fees will be promptly refunded by us. Any fees that have been earned by us but not yet paid by the Client will be immediately due and payable. The Client or Multnomah may terminate a service agreement for any reason by providing the other party with 60 days prior written notice.

Neither Multnomah, nor any supervised person associated with us accepts any compensation for the sale of securities or investment products.

#### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Multnomah does not charge any performance-based fees for its services. Accordingly, this item is not applicable to our firm.

#### **ITEM 7 – TYPES OF CLIENTS**

We provide comprehensive investment advisory, consulting and/or fiduciary services to both qualified and non-qualified defined benefit and defined contribution plan sponsors.

Our minimum fee requirement is \$15,000 to provide ongoing investment advisory services. In our discretion, we may, but are not required to, reduce or waive this minimum fee.

#### **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

The types of investments we recommend, our investment strategies and advice may vary depending upon each Client's specific financial situation. As such, we determine investments and allocations based upon predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Client restrictions and guidelines may affect the composition of the portfolio.



### INVESTMENT STRATEGY

Multnomah builds broadly diversified portfolios in the global fixed-income and equity markets, combined with periodic rebalancing. Clients may engage us to assist them in developing an Investment Policy Statement (or similar document used to establish suitability) which outlines their investment philosophy, management procedures, and long-term goals. Portfolio design is tailored to each Client's risk tolerance and preferences. For example, socially responsible and environmentally sustainable funds are available. Our investing is guided by the following beliefs:

- We believe in the long-term growth potential of equities and use these to form the core of an investment portfolio.
- We believe solid research is fundamental and critical to sound investment decisions.
- We believe in a long-term approach. Numerous studies and statistics have shown that a stable investment approach with a long-term perspective yields better long-term result than rapid trading, and we will employ this method to maximize benefit for our Clients.

### TYPES OF INVESTMENTS

Our recommendations may differ from Client to Client since each Client has different needs and different tolerance for risk. We primarily recommend mutual funds and exchange traded funds ("ETF"), to maximize diversification and minimize risk. Each type of security has its own unique set of risks associated with it, and it would not be possible to disclose all of the specific risks of every type of investment in this brochure. We strive to keep Clients educated and informed of material risks associated with particular investments. If Clients have any questions regarding the risks associated with a particular investment, they are encouraged to contact us.

Mutual funds are professionally managed collective investment companies that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual or exchange traded funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Other fund risks include foreign securities and currency risk, emerging markets risk, small-cap, mid-cap and large-cap risk, trading risk, and turnover risk that can increase fund expenses and may decrease fund performance. Brokerage and transactions costs incurred by the fund will reduce returns.





ETFs are investment funds traded on stock exchanges, much like stocks or equities. An ETF holds assets such as stocks, commodities, or bonds and trades at approximately the same price as the net asset value of its underlying assets over the course of the trading day. Most ETFs track an index, such as the S&P 500. However, some ETFs are fully transparent actively managed funds. Market risk is, perhaps, the most significant risk associated with ETFs. This risk is defined by the day to day fluctuations associated with any exchange traded security, where fluctuations occur in part based on the perception of investors.

Primarily we invest focusing on a long term purchase strategy, where securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. Sometimes we will employ a short term purchase strategy where securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations. Trading (in general, selling securities within 30 days of purchasing the same securities) is not a fundamental part of our overall investment strategy.

#### METHODS OF ANALYSIS

We may use one or more of the following methods of analysis when formulating investment advice:

*Top-down global macro-economic analysis* involves a big-picture analysis of the prevailing economic, demographic and social trends followed by a more focused analysis at the country level, then the industry level and ultimately the specific security level.

*Mutual fund/exchange traded fund analysis* involves qualitative analysis looking at factors such as the background and experience of the fund manager and/or the fund company (style, consistency, risk-adjusted performance, management expenses, average daily trading volume, etc.)

*Fundamental analysis* involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. This type of analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below perceived value. The risk is that the market will fail to reach expectations of perceived value.



### INVESTMENT RISK OF LOSS

As indicated in the descriptions above, investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate Clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. Risk factors include:

- *Interest rate risk* involves the risk that a change in interest rate will have an impact on a bond's value. Generally, rising interest rates have a negative impact on bond prices so in a period of rising interest rates a bond or bond fund may experience losses in value.
- *Credit risk* is the risk that a bond issuer may not be able to make good on their obligations and could potentially be unable to pay back the owner of a bond.
- *Inflation risk* is the risk that inflation may erode an investor's purchasing power. For a bond investor that owns bonds with a fixed interest rate, higher than expected inflation reduces the real yield of their investment and may cause interest rates to increase, causing a decline in bond prices.
- *Market risk* involves the risk that a securities price may fluctuate up or down based on new market information and the collective market's perceived value of a security. Markets are inherently volatile and an investor must acknowledge that market risk is present and be willing to accept the volatile nature of their investments.
- *Business risk* is the risk associated with a single company. Business risk is impacted by a company's industry, the broad economic outlook, a company's management team, product portfolio, and financial position.
- *Currency risk* involves the risk that investments made in international securities may fluctuate in value based on the exchange rates between the local currency and the investor's home currency. Currency risk may add volatility and may cause a security's performance to differ from its underlying fundamentals.

Except as may otherwise be provided by applicable law, we are not liable to Clients for any loss that a Client may suffer by reason of any investment decision made or other action taken or omitted in good faith by us with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; any loss arising from our adherence to a Client's instructions, or the disregard of our recommendations to a Client; or any act or failure to act by



a custodian or other third party in relation to a Client's account. It is the responsibility of each Client to give us complete information and to notify us of any changes in financial circumstances or goals.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. No principal or person associated with Multnomah has any information to disclose which is applicable to this Item.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Multnomah Group, Inc., and those associated with our firm, do not materially participate in any other financial industry activities or have any other financial industry affiliations that materially impact our work as a registered investment adviser to our retirement plan Clients. Additionally, while Multnomah Group does recommend and select other investment advisers for Clients when necessary to serve their needs, we do not receive any direct or indirect compensation from those advisers. Accordingly, we believe there are no material conflicts of interest present in this type of situation.

#### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**

Multnomah has a Code of Ethics which all employees are required to follow. The Code of Ethics outlines our high standard of business conduct, and fiduciary duty to Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, restrictions on the acceptance of gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. A copy of the code of ethics is available to any Client or prospective Client upon request. Our Clients or prospective Clients may request a copy of the firm's Code of Ethics by contacting Amy Barber at (888) 559-0159 or [Amy.Barber@MultnomahGroup.com](mailto:Amy.Barber@MultnomahGroup.com).

We do not own or manage any companies or investments that we advise our Clients to buy. Multnomah or individuals associated with us may buy and sell some of the same securities for their own account that we buy and sell for Clients. When appropriate we will purchase or sell securities for Clients before purchasing the same for our account or allowing representatives to purchase or sell the same for their own account. In some cases, we or our representatives may buy or sell securities for their own account for reasons not related to the strategies adopted for our Clients. Our employees and other persons associated with us are required to follow the Code of Ethics when making trades for their own accounts in securities which are recommended to and/or purchased for Clients. The Code of Ethics is



designed to assure that the personal securities transactions will not interfere with making decisions in the best interest of advisory Clients, while at the same time allowing employees to invest their own accounts. We maintain a list of all securities holdings for ourselves and for anyone associated with our practice with access to advisory recommendations, and an appropriate officer of Multnomah reviews these holdings on a regular basis.

We will disclose to advisory Clients any material conflict of interest relating to us, our representatives, or any employees which could reasonably be expected to impair the rendering of unbiased and objective advice. As many advisory situations could present a conflict of interest, we have established certain restrictions in order to support our fiduciary responsibilities:

- A director, officer, associated person, or employee of Multnomah shall not buy or sell securities for his or her personal portfolio where the decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry.
- No person of Multnomah shall prefer his or her own interest to that of the advisory Client.

Any individual who violates the above may be subject to discipline, up to and including termination.

#### **ITEM 12 – BROKERAGE PRACTICES**

Our Clients' assets are held by independent third-party custodians. Except to the extent that the Client directs otherwise, we may use our discretion recommending a custodian or broker-dealer. The Client is not obligated to effect transactions through any custodian or broker-dealer recommended by us. In recommending a custodian or broker-dealer we will comply with our fiduciary duty to seek best execution and with the Securities Exchange Act of 1934. We take into account relevant factors such as:

- Price;
- The custodian's facilities, reliability and financial responsibility;
- The ability of the custodian to effect transactions, particularly with regard to such aspects as timing, order size and execution of order;
- Any other factors that we consider to be relevant.

We generally do not aggregate the purchase or sale of securities for Client accounts. Most transactions involve mutual funds and exchange traded funds where trade aggregation does not provide any benefit to our Clients.

**ITEM 13 – REVIEW OF ACCOUNTS**

Client accounts are reviewed by Scott Cameron or Erik Daley (who together are responsible for overseeing all investment advisory activities for the firm) or a Senior Consultant with Multnomah Group. Both Scott Cameron and Erik Daley are Chartered Financial Analyst (“CFA”) charterholders. See the supplementary information at the end of this document for more information regarding the CFA designation.

Accounts are generally reviewed quarterly, but in any event, no less than annually. The frequency of reviews is determined based on the Client’s investment objectives. More frequent reviews may be triggered by a change in Client’s investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or, changes in the economic climate.

Clients receive standard written account statements from the custodian of their accounts on basis no less than quarterly. We may also provide Clients with periodic written reports summarizing the account activity and performance. For our retirement plan Clients we provide a written report that reviews the investment managers utilized in the Trust to ensure continuing compliance with the investment strategy.

**ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Multnomah Group has no arrangements, written or oral, in which it compensates any individuals or entities for referrals of Clients.

**ITEM 15 – CUSTODY**

Multnomah does not have custody of assets in Client retirement plan accounts. We shall have no liability to the Client for any loss or other harm to any property in the account, including harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance which may be carried by the custodian. The Client understands SIPC provides only limited protection for loss of property held by a custodian.

Clients generally receive account statements from the custodian of their accounts on a monthly basis, but in any event, no less than quarterly. We may also provide Clients with periodic written reports summarizing account activity and performance. We urge Clients to carefully review statements from the custodian and compare those to reports that we may provide, as reports may vary based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

**ITEM 16 – INVESTMENT DISCRETION**

Generally, retirement plan Clients authorize us under an investment consulting agreement to make investment recommendations on a non-discretionary basis. Non-discretionary authority means Multnomah Group is responsible to provide investment recommendations, however Clients make the ultimate determination whether to accept or reject such recommendations.

In some circumstances, we will have discretionary authority to manage the assets in the account, allowing us to execute investment recommendations in accordance with the stated investment strategy without the Client's prior approval of each specific transaction. This authority allow us to purchase and sell securities and instruments in the account(s), select and retain sub-advisers, and act on behalf of the Client in matters necessary or incidental to the management of investments in the account, including monitoring certain assets. Regardless of this discretionary authority, Clients may impose restrictions on investing in certain securities or types of securities.

**ITEM 17 – VOTING CLIENT SECURITIES**

We do not have the authority and do not vote Client securities on behalf of Clients. Additionally, we do not provide advice on how the Client should vote. Clients will receive proxies and other solicitations directly from the custodian or transfer agent. If any proxy materials are received on behalf of a Client, they will be sent directly to the Client or designated representative who is responsible to vote the proxy.

**ITEM 18 – FINANCIAL INFORMATION**

We do require advisory fees to be paid in advance. However, we do not require the prepayment of fees in an amount more than \$1,200, more than six months in advance from any Client. In certain circumstances, we do have discretionary authority over Client funds and securities, but we have no financial commitments that impair our ability to meet contractual and fiduciary commitments to Clients.

Neither Multnomah, nor any of the principals, have been the subject of a bankruptcy petition at any time in the past.



CHARTERED FINANCIAL ANALYST® ("CFA"): Becoming a CFA charterholder is voluntary; no federal or state law or regulation requires investment advisers or financial planners to become a CFA charterholder. However, the CFA program is a globally recognized standard for measuring portfolio management and investment analysis competence and integrity. The program is administered by CFA Institute, a global not-for-profit association of investment professionals.

The program requires candidates to study for and pass three levels of exams that measure a candidate's ability to apply the fundamental knowledge of investment principles at a professional level. Candidates who pass the exams and meet other requirements earn a CFA Charter.

The CFA program is a graduate-level, self-study curriculum and examination program for investment specialists - especially securities analysts, money managers and investment advisers. To register in the CFA program, an applicant must have a bachelor's degree (or comparable non-US degree). Four years of qualified professional work experience or a combination of education and qualified work experience may be acceptable in lieu of a degree. The CFA program sets the global standard for investment knowledge, standards and ethics. The rigorous curriculum covers a broad range of investment topics and is committed to the highest ethical standards in the profession.

To be awarded the CFA charter, a candidate must pass the Level I, Level II, and Level III examinations and have at least four years of acceptable professional experience working in the investment decision-making process. Candidates must also exhibit a high degree of ethical and professional conduct.

Charterholders must comply with CFA Institute's Articles of Incorporation, Bylaws, Code of Ethics and Standards of Professional Conduct to maintain the Charter. In addition, they must annually submit a Professional Conduct Statement and pay membership dues. Failure to comply with CFA Institute's conditions, requirements, policies and procedures can result in disciplinary sanctions, including suspension or revocation of the right to use the CFA designation.