



1 - COVER PAGE

## FORM ADV PART 2A\* BROCHURE

February 2017

111 Sutter Street, Suite 525  
San Francisco, California 94104

Telephone: 415.928.0401

[www.humphreysgroup.com](http://www.humphreysgroup.com)

\*This brochure provides information about the qualifications and business practices of The Humphreys Group, LLC. If you have any questions about the contents of this brochure, please contact the Firm's Principal and Chief Compliance Officer, Diane S. Bourdo, at telephone 415.928.0401. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority.

This Brochure provides information upon which a prospective client may determine whether or not to hire our Firm. You are encouraged to review this Brochure and Supplements regarding the Firm's associates for information on the qualifications of the Firm and its employees.

The use of the term "registered investment adviser" and description of The Humphreys Group, LLC and/or our associates as "registered" does not imply a certain level of skill or training.

Additional information about The Humphreys Group, LLC is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## 2 - MATERIAL CHANGES FROM PRIOR FORM ADV 2A

This updated Form ADV Part 2A contains the following changes from the prior version:

- Updated assets under management information at Item 4.

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## INDEX OF ERISA DISCLOSURES

The Humphreys Group may provide investment management services to retirement plans governed by the Employee Retirement Investment Security Act (“ERISA”). ERISA regulations require that specific disclosures be made to the ERISA plan fiduciary that is authorized to enter into, or extend or renew, an agreement with the Firm to provide these services. The following Index identifies the disclosures required and the location where plan representatives may find them. It is intended to assist ERISA Plan representatives with compliance with the service provider disclosure regulations under section 408(b)(2) of ERISA. Any questions concerning this guide or the information provided regarding our services or compensation should be addressed to our Chief Compliance Officer at the number noted on the cover page of this ADV Part 2A.

Required Disclosure	Location of the Required Disclosure
Description of the services that Advisor will provide to covered ERISA plans	Item 1 of this Form ADV Part 2A and Paragraphs 1-3 and 6 of the investment management agreement signed with our firm.
Statements that the services that Advisor will provide to covered ERISA plans will be as an ERISA fiduciary and registered investment adviser	Item 1 of this Form ADV Part 2A and Paragraph 12 and the ERISA addendum of the investment management agreement signed with our firm.
Description of the direct compensation to be paid to Advisor	Item 2 of this Form ADV Part 2A and Paragraph 4 and Exhibit 1 of the investment management agreement signed with our firm.
Description of the indirect compensation Advisor might receive from third parties in connection with providing services to covered ERISA plans, if any	Items 9, 11 and 12 of this Form ADV Part 2A.
Description of the compensation to be shared between Advisor and any third party or any affiliated entity, if any	Items 7 and 11 of this Form ADV Part 2A.
Compensation that Advisor will receive upon termination of its agreement to provide investment management services, if any	Item 1 of this Form ADV Part 2A and Paragraph 15 of the investment management agreement signed with our firm.

## 4. ADVISORY BUSINESS

Registration Status - Registered with the SEC on September 10, 2004<sup>1</sup>  
Principal Owner - Diane S. Bourdo

### ADVISORY SERVICES

#### Investment Management Services

The Humphreys Group is a California limited liability company that provides investment management and comprehensive financial planning services to its clients. The Humphreys Group's investment management services include, among others, financial goal setting, risk assessment, strategic asset allocation and the selection and management of securities and investments. Securities transactions are supervised on a continuous basis and each client's portfolio holdings and asset allocations are monitored on a periodic basis.

The investment management services we provide are based on each individual client's financial circumstances and investment objectives. Our portfolio managers meet with each client to discuss the client's current financial condition and to review the client's current investment holdings. Based upon each client's circumstances, we determine an appropriate asset allocation for the client's investment portfolio, in accordance with the client's specific financial objectives and risk tolerance and in consideration of other factors, including the client's time horizon (education funding, home purchase, retirement, legacy planning), liquidity needs, and other available resources (including external retirement plans, projected social security, outside investments, real estate, and insurance). Clients may identify any investment restrictions to be placed on their account. Each client's financial objectives, risk tolerance, and liquidity needs, along with a recommended asset allocation, are incorporated into Portfolio Guidelines that are customized for and discussed with the client.

A client may make additions to and withdrawals from the client's portfolio account at any time, subject to the Firm's right to terminate an account if the amount of assets drops below our account size minimum. Clients may withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures. However, we design client portfolios as long-term investments and caution our clients that unplanned asset withdrawals may impair the achievement of the client's investment objectives.

Additions to an account may be in cash or securities provided that we may decline to accept particular securities into a client's account or may recommend that the security be liquidated if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that when transferred securities are liquidated, they may be-subject to transaction fees, fees assessed at the mutual fund level and/or tax ramifications.

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<sup>1</sup> "Registration" means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply that the SEC guarantees the quality of our services or recommends them.

The Humphreys Group generally requires clients to place a minimum of \$1 million under management with the Firm. Multiple client accounts may be aggregated to meet this minimum. Under certain circumstances, and in its sole discretion, the Firm may waive or alter the minimum account size requirement.

### **Fiduciary Status**

The Humphreys Group is a fiduciary under applicable federal regulations and as a fiduciary, is obligated to provide services and advice that are in the best interest of each client.

### **Comprehensive Financial Planning Services**

As a part of its investment management services, The Humphreys Group provides financial planning services to its clients. These may include a financial review and analysis of some or all of the following areas:

- Determining Financial Goals And Objectives
- Asset Allocation Review
- Retirement Plan Analysis
- Employee Stock Option Analysis
- Current Portfolio Review
- Education Funding Analysis
- Cost Audit of Current Investments
- Cash Flow Management Review
- Review of Insurance Needs
- Mortgage and Refinance Evaluation
- Estate Plan Review or Development
- Charitable (or social capital) Planning
- Opinion on Current Investment Strategy/Advisors
- Other financial or investment analysis

On occasion, financial planning services may be provided to non-investment management clients on an hourly or fixed fee basis. Unless provided in connection with the investment management services described above, clients engaging The Humphreys Group to provide financial planning services will generally be required to enter into a separate written agreement with The Humphreys Group setting forth the terms and conditions of the planning engagement and describing the scope of the services to be provided.

### **General Notice**

In performing its services, The Humphreys Group relies upon the information received from its client or from their other professional legal and accounting advisors, and is not required to independently verify such information. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisors of the client's portfolio and/or financial plan.

## ASSETS UNDER MANAGEMENT AS OF DECEMBER 31, 2016

Discretionary Assets - \$160,716,950

Non-discretionary Assets - \$ 0

### TERMINATION OF AGREEMENT

Clients may terminate their investment management agreement upon thirty (30) days' written notice to the Firm. The Firm does not assess any fees related to termination but will be entitled to all management fees earned up to the date of termination. Any prepaid fees owed to the client are refunded *pro rata* based on the amount of time expired in the calendar quarter.

## 5. FEES AND COMPENSATION

### ADVISORY FEES

#### Investment Management Fees

For its investment management clients, The Humphreys Group charges a fee based on a percentage of the market value of the investments held in each client's managed account over which The Humphreys Group has investment discretion. Managed assets in the account are included in the fee assessment unless specifically identified in writing for exclusion. The management fee is billed quarterly, in advance, and prorated for accounts established or terminated at times other than the start of the quarter.

The management fee is computed on the last day of the preceding quarter of management by determining the market value of the Account using the following guidelines: (a) for marketable securities: the current market price provided by custodian; (b) for securities for which there exists no active market (such as real estate, gas and oil, or other illiquid securities), by using such information as The Humphreys Group shall in good faith deem relevant to determine the value thereof, or in the absence of such information, at cost; and (c) for cash or equivalents, at dollar value. Fees charged are not calculated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

The Humphreys Group generally requires a minimum annual management fee of \$10,000. Under certain circumstances, and in its sole discretion, the Firm may negotiate an alternative minimum account size and/or minimum annual management fee based upon the nature of the account.

Our annual management fee is calculated according to the following standard fee schedule:

Value of Account Assets	Annual Fee Rate
On the market value of Account up to \$1,000,000	1.00.% plus
On the market value of Account above \$1,000,000 up to \$2,000,000	0.75% plus
On the market value of Account above \$2,000,000	0.50%
Minimum Annual Fee	\$10,000

Client accounts are invoiced at the beginning of each calendar quarter. Clients customarily authorize The Humphreys Group to deduct its quarterly investment advisory fee directly from their custodial account. This authorization is granted under the terms of the client's signed investment management agreement and the client's instructions to the custodian. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated. At the discretion of The Humphreys Group, clients may arrange to pay their fee directly to the Firm. Under this arrangement, payment is due upon client's receipt of a billing invoice from The Humphreys Group.

Because client investment assets may include money market funds, mutual funds, exchange traded funds, private funds or other such securities, the total investment management expense incurred by clients may consist of fees paid to The Humphreys Group, plus management fees charged directly to the fund portfolios by the fund management companies, plus any transaction fees charge by the custodian of client's account. (See "Fund Disclosures" below.)

### **Financial Planning Fees**

For financial planning and other financial consulting services rendered apart from its investment management services, The Humphreys Group charges a fee of \$350 per hour, depending upon the financial planner providing the services. The Humphreys Group may provide financial planning services on the basis of a fixed fee ranging from \$5,000 to \$20,000, depending upon the complexity of a client's requirements or objectives and the extent to which outside professionals are consulted for estate planning, accounting and other professional services. A retainer equal to 25% of the estimated fees is payable at the commencement of the financial planning engagement. Ongoing fees are payable as invoiced.

### **GENERAL FEE DISCLOSURES**

The client's fee is determined in accordance with the above fee structure, with exceptions negotiated on a case-by-case basis at The Humphreys Group's discretion. Any deviations from the fee structure are based upon a number of factors including the amount of work involved, the amount of assets placed under management and the attention needed to manage the account.

We believe our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay area for comparable services. However, comparable services may be available from other sources for lower fees than those charged by The Humphreys Group.

The Humphreys Group receives no commissions on investment products purchased or sold for client accounts.

We do not provide clients advice as to the tax deductibility of our advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

## **CUSTODIAN AND BROKERAGE FEES**

Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, 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, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to The Humphreys Group's investment management fee.

## **FUND DISCLOSURES**

Mutual funds, closed-end funds, exchange traded funds and alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by The Humphreys Group, clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other, "indirect" fees and expenses as charged by each mutual fund (or other fund) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by The Humphreys Group. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

## **BOND DISCLOSURE**

Clients whose assets are invested in bonds purchased directly from an underwriter or on the secondary market may pay a sales credit or sales concession on the trade (in lieu of a sales commission). The client's custodian may also impose a fee on the transaction.

## **6. PERFORMANCE-BASED FEES**

The Humphreys Group does not charge performance related fees. No part of the investment management fee is calculated as a percentage of the capital gains or the capital appreciation of assets.



## **7. TYPES OF CLIENTS**

Our clients include individuals, high net worth individuals, families, trusts and estates and pension and profit sharing plans. We have established a \$1 million minimum value of assets for opening an individual client account. As a result, The Humphreys Group's services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisors may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

## **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

### **METHODS OF ANALYSIS**

The Humphreys Group relies upon fundamental analysis in evaluating investment opportunities. In the context of mutual funds, this analysis includes analyzing short- and long-term performance, risk characteristics, other portfolio characteristics, regional and sector allocation, portfolio holdings, management teams, etc. In conducting our investment analyses, we consult third party research materials providing quantitative and qualitative data, information provided by mutual funds, financial newspapers and periodicals.

### **INVESTMENT STRATEGY**

The Humphreys Group's underlying investment strategy is based upon the belief that diversification is necessary for achieving long-term portfolio stability. We seek diversification on a number of levels, including across asset classes (i.e., cash, bonds, and stocks), and within a particular asset class (i.e., different styles and market capitalizations of stocks). This approach helps to stabilize a portfolio's exposure to short-term market volatility.

Our trust in diversification is a reflection of our belief that market timing cannot be done successfully over the long term. Although we keep abreast of economic trends and business developments, we do not make predictions with regard to interest rates or the stock market. Of course, prevailing market conditions will affect each portfolio's performance. To minimize the impact of downturns and to benefit from positive changes, we continually monitor the performance of individual funds and track other factors affecting the client's portfolio.

We believe that mutual funds are the most appropriate investment vehicle for most individual investors. Funds now exist to satisfy every investment niche and we believe that the advantages inherent in funds (diversification and access to professional management topping the list) outweigh any disadvantages (for example, tax inefficiency and management fees).

### **INVESTMENT RISKS**

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. While there are many types of risk that any investor is exposed to, here are some of the general risks associated with parts of our investment strategy:

**Market Risk and Price Fluctuation** - Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

**Inflation** - Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

**Bond Pricing** - The price of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.

**Mutual Funds with Foreign Asset Holdings** - Any investments in mutual funds that make foreign investments are subject to the uncertainty with changes in the foreign currency value, geopolitical risk and other risks associated with this asset class. The client will bear more risk and may earn a substantially higher return or a substantially lower return.

**Asset Class-Specific Risk:** While our strategy focuses on portfolio wide diversification, we may invest in mutual funds that invest in a specific asset class, such as commodities, global real estate, etc. These asset class specific investments may bear more risk and may earn a substantially higher return or a substantially lower return.

**Reinvestment of Dividends** - An investor can choose to reinvest interest, dividends and capital gains to accumulate wealth. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate than was initially earned.

**Short-term purchases** - While we generally purchase securities with the intent to hold them for more than a year, we may on occasion determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

## 9. DISCIPLINARY INFORMATION

The Humphreys Group has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

## 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Humphreys Group is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. We recommend that our clients custody their assets with

Charles Schwab & Co., Inc., (“Schwab”) an SEC registered broker-dealer and member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investors Protection Corporation (“SIPC”). Although we recommend that our clients custody their investment accounts at Schwab, we have no affiliation with Schwab, do not supervise its brokerage activities and are not subject to its supervision.

The Humphreys Group may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, however neither the Firm nor its principals or employees are affiliated with any law or accountancy firm.

## **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Humphreys Group, its employees and their immediate families (sometimes collectively “employees”) are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. The Humphreys Group manages the Firm’s corporate account, the retirement accounts and the personal accounts for the Firm’s principals and employees. The Humphreys Group’s principals and employees are required to report all personal securities transactions on a regular basis. All personnel are required to abide by the Firm’s personal trading practices and code of ethics. The Humphreys Group’s employee personal trading policies and code of ethics are made available to clients and prospective clients upon request.

Employees may trade in the same securities traded for clients. However, it is Firm policy not to give preference to orders for personnel associated with the Firm regarding such trading. Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If a security is bought or sold for clients and employees on the same day, the employee’s trades must be executed at the end of the trade day after all client trades in the subject security for that day are completed. It is possible that employees’ personal transactions might be executed at more favorable prices than were obtained for clients.

Employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal

considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

## **12. BROKERAGE PRACTICES**

### **RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER**

The Humphreys Group recommends that clients establish brokerage accounts with Schwab. Schwab is independently owned and operated and not affiliated with The Humphreys Group and does not supervise or otherwise monitor The Humphreys Group's investment management services to its clients. Schwab provides The Humphreys Group with access to its institutional trading and custody services, which typically are not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at Schwab, but are not otherwise contingent upon The Humphreys Group committing to Schwab any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institution investors or would require a significantly higher minimum initial investment.

Schwab also makes available to The Humphreys Group other products and services that benefit The Humphreys Group but may not benefit its clients. Some of these other products and services assist The Humphreys Group in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of The Humphreys Group's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of The Humphreys Group's accounts, including accounts not maintained at Schwab. Schwab also makes available to The Humphreys Group other services intended to help The Humphreys Group manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to The Humphreys Group by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to The Humphreys Group.

The Humphreys Group's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to The Humphreys Group of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **BEST EXECUTION**

The Humphreys Group is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, The Humphreys Group's primary objective is to obtain the best execution. Expected price, giving effect to brokerage commissions, if any, and other transaction costs, are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealer's willingness to commit capital, the broker-dealer's reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, The Humphreys Group may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. The Humphreys Group may select broker-dealers whose fees may be greater than those charged for similar investments if The Humphreys Group determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

The Humphreys Group reviews transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom The Humphreys Group executes transactions on behalf of clients.

## **SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS**

The Humphreys Group does not utilize research, research-related products and other brokerage services on a soft dollar commission basis and has not entered into any formal soft dollar arrangements whereby such services and research are provided to the Firm in exchange for brokerage commissions.

Schwab makes available to The Humphreys Group products and services that benefit the Firm and assist it in managing and administering its clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution; provide research, pricing information and other market data; facilitate payment of The Humphreys Group's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of The Humphreys Group's accounts, including accounts not maintained at Schwab. Schwab also makes available to The Humphreys Group other services intended to help The Humphreys Group manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to The Humphreys Group by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to The Humphreys Group. The Humphreys Group's recommendation that clients maintain

their assets in accounts at Schwab may be based in part on the benefit to The Humphreys Group of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

The Humphreys Group has received software and other informational materials from distributors of mutual funds. These materials were unsolicited and were accepted with the intent to benefit all clients and the value of these materials is not considered in the process of selecting funds to purchase for client accounts.

The Humphreys Group personnel are occasionally offered the opportunity to attend conferences sponsored by discount brokers, and to visit the offices of various mutual funds in order to perform due diligence inspections. On occasion, the sponsoring organization pays the travel and hotel expenses related to these trips. The research done benefits all clients, and the payment of expenses is not significant in the process of selecting funds to purchase for client accounts or executing client transactions with brokerage firms.

#### **AGGREGATION OF TRADES AND POTENTIAL CONFLICTS**

The Humphreys Group does not aggregate securities transactions for multiple client accounts. All client securities transactions are made on a client by client basis.

#### **ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS**

Because the Firm manages more than one client account, there may be a conflict of interest related to the allocation of investment opportunities among all accounts managed by the Firm. The Humphreys Group attempts to resolve all such conflicts in a manner that is generally fair to all of clients over time. The Firm may give advice and take action with respect to any of its clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is Firm policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. The Firm is not obligated to acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio managers, based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

### **13. REVIEW OF ACCOUNTS**

All accounts under management are reviewed on a quarterly basis by Diane S. Bourdo, CFP®, Principal and Portfolio Manager and by Alexis W. Olian, Associate Wealth Manager. Reviews determine consistency with the Firm's investment strategy and with client investment objectives. The Firm monitors asset class allocations, cash allocations and other account factors on a periodic basis. Portfolio adjustments may be required due to client investment guideline changes, client deposits and withdrawals and client liquidity needs. Additionally, client accounts are reviewed in response to changes in the financial markets and/or changes in the Firm's investment strategy. A

comprehensive assessment of financial planning and investment allocation is offered at least annually and more often as requested by the client.

On a quarterly basis, clients receive reports with detailed information about the positions in each of their managed accounts. This information includes the quantity owned, cost basis and date of purchase as well as the current price. Performance reports on assets under management are offered at each meeting, or more often as requested by the client. Reports related to financial planning, such as long term financial projections and cash flow, are normally provided during annual review meetings. Tax reports, including realized gains and losses, are sent annually.

Brokerage account statements list all positions and detail investment transactions, and are sent directly from the custodian of the client's account on a monthly basis. Forms 1099 for tax reporting are also sent annually by the custodian, where appropriate.

## 14. CLIENT REFERRALS AND OTHER COMPENSATION

The Humphreys Group does not pay referral fees to any third party firms or individuals for recommending the Firm to prospective clients, nor is the Firm or its employees paid referral fees by any third party for referring clients to their businesses. The Firm does not direct brokerage transactions to any broker-dealer in exchange for receiving client referrals.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 - Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

The Humphreys Group employees are not paid "sales awards" or other prizes for referring clients to the Firm.

## 15. CUSTODY OF CLIENT ASSETS

The Humphreys Group does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker dealer, bank or trust company. The Humphreys Group is unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary. The Firm is given the authority to receive payment of its management fees directly from the account, but it is not authorized to make any other withdrawals or to transfer money out of the account to a third party.

Clients are advised to regularly compare and verify the client assets listed in the reports provided by The Humphreys Group to those listed on the account statement received from the custodian of the client's account.

## Disclosures Related to Custodians

Schwab acts as custodian and executing broker-dealer for The Humphreys Group clients. Schwab is independently owned and operated and not affiliated with The Humphreys Group and does not supervise or otherwise monitor our investment management services to our clients.

For The Humphreys Group client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into client accounts that are held with Schwab.

Schwab sends account statements directly to the client (or to an independent third party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client's account, including the payment to The Humphreys Group of its investment management fees.

## 16. INVESTMENT DISCRETION

Clients appoint The Humphreys Group as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm's investment strategy and the client's investment objectives, our portfolio managers are given full discretion to determine:

- Types of investments;
- Which securities to buy;
- Which securities to sell;
- The timing of any buys or sells;
- The amount of securities to buy or sell; and
- The broker-dealer to be used in the transaction.

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected, with the objective of attaining the most favorable price and market execution for each transaction.

Except in the case of directed brokerage instructions, client securities transactions generally are executed through the custodian of their account to avoid "trade away" fees for trades that are executed at other broker-dealers. In some cases, a particular security may be not be available through the client's custodian or available only under execution parameters or at an overall cost that makes the use of an alternative executing broker more advantageous for that transaction. In such cases, the portfolio managers have the discretion to select the broker to execute the trade.



## **17. VOTING CLIENT SECURITIES**

The Humphreys Group does not accept proxy voting authority over the securities held in client accounts. The Humphreys Group clients maintain exclusive responsibilities for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeds, re-organizations or other types of events pertaining to the client's investment assets. The Humphreys Group clients are directed to instruct each custodian of their accounts to forward copies of all proxies and shareholders communications relating to the client's investment assets to the client for review and voting.

## **18. REQUIRED STATEMENT OF FINANCIAL INFORMATION**

The Humphreys Group does not require or solicit prepayment of management fees from clients six months or more in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.