



# GEBHARDT GROUP

Wealth Management Services

Item 1 - COVER PAGE

## FORM ADV PART 2A\* SEC-Required Brochure

March 2012

Gebhardt Group, Inc.  
3470 Mt. Diablo Blvd., Suite A210  
Lafayette, California 94549

Toll-Free: 877.283.9150

Tel: 925.283.9150

Fax: 925.283.9155

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

\*This brochure provides information about the qualifications and business practices of Gebhardt Group, Inc. If you have any questions about the contents of this brochure, please contact the Firm's Chief Compliance Officer, James C. Gebhardt, at telephone 925.283.9150. The information in this brochure has not been approved or verified by the State of California or by any other federal or state authority.

The oral and written statements of an advisor provide information upon which a prospective client may base a determination as to whether or not to hire the advisor. You are encouraged to review this Brochure and Brochure Supplements for the Firm's associates who advise you for more information on the qualifications of the Firm and its employees.

The use of the term "registered investment adviser" and description of Gebhardt Group and/or our associates as "registered" does not imply a certain level of skill or training. Additional information about Gebhardt Group is available at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

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

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

- Routine revisions and updates to formatting.
- Non-material edits to the existing descriptions of prior disclosures.
- Additional description as to Gebhardt Groups investment advisory and financial planning and consulting services are provided at Item 4.
- Updated assets under management information is provided at Item 4.
- Routine disclosures required by the State of California are provided at Items 4 and 19.

### **Item 3 - TABLE OF CONTENTS**

ITEM 1 - COVER PAGE .....	1
ITEM 2 - MATERIAL CHANGES FROM PRIOR FORM ADV 2A .....	2
ITEM 3 - TABLE OF CONTENTS .....	3
ITEM 4 - ADVISORY BUSINESS .....	4
ITEM 5 - FEES AND COMPENSATION .....	7
ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	11
ITEM 7 - TYPES OF CLIENTS .....	12
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS .....	12
ITEM 9 - DISCIPLINARY INFORMATION .....	16
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	16
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	17
ITEM 12 - BROKERAGE PRACTICES .....	18
ITEM 13 - REVIEW OF ACCOUNTS .....	22
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION .....	23
ITEM 15 - CUSTODY .....	23
ITEM 16 - INVESTMENT DISCRETION .....	24
ITEM 17 - VOTING CLIENT SECURITIES .....	24
ITEM 18 - FINANCIAL INFORMATION .....	24
ITEM 19 - REQUIREMENTS FOR STATE-REGISTERED ADVISORS .....	25

## Item 4 - ADVISORY BUSINESS

### Item 4A

IA Registration Status - Since 2007;  
Registered with State of California on \_\_\_\_\_<sup>1</sup>;  
Registered with the SEC on May 4, 2007  
Principal Owner - James C. Gebhardt

### Item 4B

Gebhardt Group, Inc. (“Gebhardt Group” or sometimes the “Firm” or “Advisor”) is a California corporation providing investment management and financial planning and financial consultation services to its clients.

### **ADVISORY SERVICES**

Our investment management services are organized around our proprietary financial planning system intended to assist our clients in the design, development and perpetuation of personal and multi-generational financial goals. Our investment advisory services are provided in specific and individualized planning and implementation phases. The four phases are as follows:

**Phase 1 - Location & Vision:** the Firm assists the client in identifying their current financial condition and establishing their financial goals.

**Phase 2 - Design & Build:** allows Gebhardt Group to create a comprehensive financial plan that reflects the client’s financial situation and addresses the vision of the client and family members.

**Phase 3 - Implementation:** wherein the Firm assists the client in the implementation of the financial plan in conjunction with additional estate planning procedures and works with the multiple generations of the client’s family and outside professional advisors in implementing their wealth management plan.

**Phase 4 - Reinforce & Extend:** wherein the Firm provides ongoing monitoring of investments, conducts due diligence regarding current and recommended investments, updates strategies as needed to meet client objectives, monitors legislative and tax changes, coordinates efforts of wealth design team professionals.

### Item 4C

The investment management services we provide are based on each individual client’s financial circumstances and investment objectives. Our portfolio manager meets with

---

<sup>1</sup> “Registration” means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply a certain level of skill or training or that the State of California or any other regulator guarantees the quality of our services or recommends them.

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, 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 an investment plan that is customized to and approved by the client.

Where appropriate, Gebhardt Group will assist clients with the selection of other advisors, including estate planning, insurance, retirement and other financial and/or investment advisors.

#### **Item 4B, cont.**

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 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 (i.e. contingent deferred sales charge) and/or tax ramifications.

Through our network of collaborative partnerships our clients may access other financial professionals, including accounting, legal professionals, as their individual needs dictate. Our investment management services include, among other things, financial goal setting, risk assessment, asset allocation and the selection of investments.

#### **401(k) PLAN PARTICIPANT CONSULTATION SERVICES**

Gebhardt Group provides a weekly performance monitoring and investment selection advisory service to clients with 401K retirement plan accounts. The Firm monitors client plan investments, monitors the relative performance of mutual fund and other plan investment options and makes recommendations to clients regarding investments held in their plan accounts. It is the client's obligation to implement Gebhardt Group recommendations, as the Firm has no ability to execute trades within such accounts.

## **FINANCIAL PLANNING AND FINANCIAL CONSULTATION SERVICES**

In those circumstances when our Firm is not retained for both investment advisory and financial planning services, we provide financial planning and/or financial consulting services on an hourly or fixed fee basis. Such services 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 Panning
- Opinion on Current Investment Strategy/Advisors
- Other financial or investment analysis

Typically, clients engaging the Firm to provide financial planning or financial consultation services alone are required to enter into a separate written agreement setting forth the terms and conditions of the planning engagement and describing the scope of the services to be provided. Financial planning clients need not necessarily become investment management clients of the Firm.

Gebhardt Group may recommend to its financial planning and financial consultation clients that they retain the Firm as their investment advisor to implement its recommendations and such recommendation may be viewed as a conflict of interest. Financial planning and financial consultation clients are hereby advised that they are under no obligation to act on Gebhardt Group' investment recommendations. Moreover, if a client elects to act on any of the recommendations, the client is under no obligation to effect the transactions through any investment advisor when such is licensed as a broker-dealer or through any associate or affiliate of such advisor that is employed as registered representative or sales agent with a licensed broker-dealer.

### **Item 4D**

The Firm does not sponsor nor does it provide portfolio management services to wrap fee programs offered by broker-dealers or others.

### **Item 4E**

#### **ASSETS UNDER MANAGEMENT AS OF MARCH 31, 2012**

Discretionary Assets - \$43,292,553

Non-discretionary Assets - \$32,234,603

**Item 4B, cont.**

**TERMINATION OF AGREEMENT**

Clients may terminate the investment management agreement at any time, upon written notice to Gebhardt Group. Any earned fees owed to Gebhardt Group will be paid from the client's account on a pro rata basis determined on the amount of time expired in the calendar quarter. Advisor may terminate the investment management agreement upon 30 days' written notice to the client. Any unearned investment management fees owed to the client will be refunded on a pro rata basis determined on the amount of time expired in the calendar quarter.

If a copy of this Form ADV Part 2A disclosure statement was not delivered to the client prior to or simultaneous with a client entering into a written advisory contract with Advisor, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. For purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded. Any transaction costs imposed by the executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

**Item 5 - FEES AND COMPENSATION**

**FEES FOR INVESTMENT ADVISORY SERVICES**

For its investment management clients, Gebhardt Group charges a fee based on a percentage of the market value of each client's account. 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.

Advisory fees for new clients as of January 1, 2011 are billed at 2% for all assets managed in accounts held at Charles Schwab & Co. The management fee for certain client relationships pre-dating January 2011 may be billed according to the following schedule:

<b>Value of Account Assets</b>	<b>Annual Fee Rate</b>
On the first \$1,000,000	1.25% plus
On the next \$1,000,000	0.75% plus
On amounts between \$2,000,001 and \$10,000,000*	0.50%
<i>*For accounts above \$10,000,000</i>	<i>0.50% on entire account</i>

Under certain circumstances, based upon the nature of the Account and the services requested, Gebhardt Group in its discretion may agree to assess a different management fee for either new or existing clients.

Gebhardt Group assesses a minimum annual investment management fee of \$10,000. Under certain circumstances, based upon the nature of the Account and the services requested, Gebhardt Group in its sole discretion may modify or waive the minimum annual fee.

Investment management clients typically authorize Gebhardt 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.

To the extent that a client authorizes the use of margin, and margin is thereafter employed by our portfolio managers in the management of the client's portfolio, the market value of the client's account and corresponding fee payable by the client to Gebhardt Group may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to the Firm. Accordingly, the decision as to whether to employ margin is left to the sole discretion of client.

#### **FEES FOR 401(k) PLAN PARTICIPANT CONSULTATION SERVICES**

Gebhardt Group charges a fee of \$190 per month for each qualifying retirement account for investment selection, performance monitoring and advisory services.

#### **FEES FOR FINANCIAL PLANNING SERVICES**

For its financial planning services, Gebhardt Group may charge an hourly fee of \$300 or provide services on the basis of a fixed fee ranging from \$2,500 to \$50,000, 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. Fees for each phase of the financial planning process are payable in advance.

Under certain circumstances, Gebhardt Group also accepts sales fees or commissions from the issuers of specified securities and insurance products when Gebhardt Group financial planning clients, who are not also investment management clients, purchase those products.



## **COMMISSIONS EARNED**

Gebhardt Group principal James Gebhardt and its Client Service Specialist, Nancy Pahl are registered representatives of Brokers International Financial Services, LLC ("Brokers International"), a federally registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). Mr. Gebhardt's affiliation with Brokers International allows the Firm to offer investment programs, insurance products and other products that may incur a commission or sales load.

Brokerage commissions are charged by Brokers International Financial Services to the client to effect securities transactions and thereafter, a portion of these commissions may be paid by Brokers International to registered representative Mr. Gebhardt. In addition, in connection with any such brokerage services, the registered representative may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. These commissions or 12b-1 fees are never a component of client accounts held at Charles Schwab & Co. and Mr. Gebhardt does not receive commission or 12b-1 compensation for any client assets held at Charles Schwab & Co.

## **GENERAL FEE DISCLOSURES**

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 Gebhardt Group.

Any discrepancy in fees should be communicated immediately to us within 30-days of the billing date.

Gebhardt Group's fees are exclusive of and in addition to applicable brokerage commissions, custodial charges and asset specific fees such as those charged by funds for management and administration.

We do not provide clients advice as to the tax deductibility of its 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 Gebhardt 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 Gebhardt 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 Gebhardt 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 may pay a sales credit or sales concession to the underwriter on the trade (in lieu of a sales commission) ranging from 0% - 2% of the par value of the bond.

## **ALTERNATIVE INVESTMENTS**

On occasion, Gebhardt Group may recommend to its clients an investment in alternative investment partnerships or private pooled investment funds. In the event that Gebhardt Group identifies securities issued by third party private investment funds for potential investment, it may facilitate an introduction between such third party private investment funds and our clients. Gebhardt Group has neither an ownership nor other proprietary interest in these funds. However, the Firm, its president or one or more employees (collectively, "Gebhardt Group") may receive compensation in the form of a referral fee from the general partner/investment manager of the funds for introducing prospective investors. Any registered broker-dealer supervising an officer or employee of Gebhardt Group as a registered representative may also receive compensation in the form of a referral fee from the general partner/investment manager, which may reduce the referral fee otherwise received by such registered representative. Disclosure of the referral fee to be received by Gebhardt Group and any broker-dealer is provided to clients at the time of the investment.

Detailed disclosures of other conflicts of interest related to these third-party investment funds, if any, are provided in all relevant private placement memoranda, offering memoranda, subscription agreements, limited partnership agreements and other applicable solicitation and disclosure documents. Disclosure of the referral fee to be received by Gebhardt Group or any broker-dealer is provided to clients at the time of the investment. In the event that Gebhardt Group receives a referral fee with respect to assets invested in a third party private investment fund, such assets are not included in the calculation of the value of assets in each client account that determines the management fee paid to Advisor (as described above).

#### **SALES COMMISSIONS ACCEPTED AND FEE PAYMENT CREDITS FOR CLIENTS THAT PLACE ASSETS UNDER MANAGEMENT WITH GEBHARDT GROUP**

Some investment products (certain investment programs, mutual funds, insurance and annuities identified below in Item 3) are available only on a commission or other fee basis. In order to allow Gebhardt Group the widest possible selection of appropriate investment products for its clients' investment management accounts, and in order to minimize any potential conflict of interest resulting from the payment to Gebhardt Group of a sales commission or fee by the issuers of such investment products, for its investment management clients, Gebhardt Group will credit against its management fee, the amount charged its clients' account that is attributable to any sales "load", commission or fee paid by the issuer to Advisor for any investment product.

For Gebhardt Group financial planning clients that do not enter into a separate portfolio management agreement with Gebhardt Group for investment management services, we will not credit any commissions or fees received against financial planning fees billed.

Where Gebhardt Group is paid a sales commission or fee for placing its clients with one or more investments, its recommendation of these investments might be deemed a conflict of interest. We only recommend investment in such assets if, based upon the client's personal financial condition, time horizon, risk tolerance and investment objective, such investment would be suitable for that client. Nevertheless, as a result of its receipt of commission payments, our recommendation of these asset management programs might be deemed a conflict of interest.

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

Gebhardt Group does not charge an additional performance fee based upon a percentage of the capital gains realized in client accounts. Gebhardt Group does not manage any client accounts where a performance fee is charged.

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

Our clients include individuals, trusts, estates, charitable organizations, and pension and profit sharing plans, on both a discretionary and non-discretionary basis. We generally require advisory clients to maintain a minimum account size of \$500,000 although multiple accounts for the same client may be aggregated to meet this minimum. The Firm has discretion to waive minimums when warranted. As a result, Gebhardt 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.

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

### **METHODS OF ANALYSIS**

Depending upon the type of investment, Gebhardt Group utilizes a combination of fundamental and quantitative analysis. Fundamental analysis involves analyzing real data, including overall economic and company-specific information available to determine the value of a particular investment. Quantitative analysis involves analyzing statistics provided by market activity such as past prices and volume to identify patterns that can be used to predict future activity. In performing these analyses, our portfolio manager consults third-party research materials, company annual reports and other regulatory filings, and financial newspapers and periodicals.

### **INVESTMENT STRATEGY**

Gebhardt Group's investment objective is to manage risk in client portfolios. We want to protect client capital when markets are weak also known as bearish markets and grow client capital when markets are in uptrends also known as bullish markets. We call this our Advance & Protect strategy. We do not believe a buy and hold approach to investment management is an effective strategy for managing portfolio risk given the volatile global markets we live with today. We actively manage our client portfolios at Charles Schwab & Co. and there will be periods where we are completely out of the equity markets or fixed income markets.

The Firm aims to construct a diversified portfolio by allocating assets to securities, exchange traded funds or mutual funds that focus on domestic equity, foreign equity, fixed income and alternative assets. Investment results are measured over full market cycles and we recommend an investment time horizon of at least three years for capital invested in these target strategies.

Our process emphasizes quantitative trend analysis as fundamentally the most important step in developing investment decisions. Strict buy and sell decisions are monitored on a weekly basis. Target model portfolio construction decisions are based on trend-following assessments of current capital market conditions and the specific investment allocations in the client's portfolio. The Firm has developed a target model

for use with all clients. The target model is designed to provide a core investment structure. This core structure allows for flexibility such that positions can be adjusted to meet specific parameters set forth by the individual client, if any. Unless otherwise instructed by a client in writing, we will implement the target model for each client. Despite the diversified nature of our strategy and the aim to deliver consistent positive returns, positive returns are not guaranteed and the portfolios are subject to the risk of loss of principal.

Gebhardt Group typically utilizes products such as equities, corporate and municipal debt, options, and investment company products including insurance, annuities, exchange traded funds and mutual funds. We also provide investment advice regarding other types of investments to qualified clients for whom such investments are deemed suitable. Other types of investments for such clients may include, but are not limited to, alternative investments such as venture capital limited partnerships, private equity, managed future funds, hedge funds and third party funds of funds.

### **Investment Programs**

In addition, Gebhardt Group may recommend several wrap fee or other managed asset programs to certain of its financial planning and investment management clients. In such cases, a copy of the Form ADV Part 2A for investment manager that sponsors the program or other applicable broker-dealer offering documentation is provided to Gebhardt Group clients. The services provided by Gebhardt Group to wrap fee clients differ from those provided to its investment management clients that do not participate in a wrap fee program in that all account reporting to the client related to the investment program is sent to the client directly by the program sponsor, who reports the applicable account transactions, valuation and performance data.

The managed asset programs recommended by Gebhardt Group include:

### **Schwab Managed Accounts**

For larger client situations that require the management of individual stock and bond portfolios we may consider asset management firms from Schwab's platform of third party money managers.

Schwab has teamed with an independent investment consulting firm, to provide research and ongoing analysis of the money managers in the Managed Account Select® platform. We have access to both quantitative and qualitative information from Schwab and its research partners to help craft a customized portfolio to the specific needs of the client.

For clients participating in a Schwab Managed Account Select strategy, Gebhardt Group may receive investment management compensation of up to 2% of the assets placed in the program.

## **American Funds**

For those clients who prefer a commission oriented product, or do not want us to have discretion over their portfolio or prefer a lower cost option versus actively managed portfolios - we often recommend American Funds A shares which have an upfront commission charged to the client on a sliding scale based on the assets involved (breakpoints.) Consequently, A shares have the lowest management fees of the share classes available. These portfolios are not as actively managed as we do not have discretion over the funds invested and a verbal conversation must take place between the Advisor and the client before each and every transaction. We tailor a customized portfolio to the specific needs of the client using a basket of American Fund mutual funds.

For our commission-based clients that select American Funds A shares, Gebhardt Group may receive commission compensation on the executed trades. For further details, see the American Funds A share prospectus.

## **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. Here are some of the general risks associated with parts of our investment strategy:

**Short-term purchases** - on occasion, generally only for tax management purposes, we may 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.

**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.

**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.

**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.

**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.

**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. The client will bear more risk and may earn a substantially higher return or a substantially lower return.

**Short Sale Trading** - short Sale Trading or “shorting” involves a greater amount of risk and is rarely advocated by the Firm. In certain cases, short selling may be used as directed by either Gebhardt Group or the client to achieve specific goals.

**Margin Trading** -In some cases, and generally only for short term financing considerations, clients may elect to assume a margin balance on their investment account. The client’s custodian may require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by their custodian. Consequently, all margin decisions are left to the client.

**Option Trading** - Certain clients engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

**Alternative Asset Classes** - Many alternative investments are illiquid, which means that the investments can be difficult to trade. Consequently, such holdings may limit a client's ability to dispose of such investments in a timely manner and at an advantageous price.

**IPOs** - Are generally investments in companies with limited operational histories and non-existent or weak earnings and are highly subject to market sentiment. Shares purchased through an IPO can often trade down immediately from their offer price or can be subject to wild fluctuations in performance at certain time periods after their entry to the public markets and, as such, carry increased risks of investment loss.

**Private Equities** - We may purchase or recommend the inclusion of shares in non-publicly traded equities in the accounts of accredited clients. These companies will generally have little available information on their financial status, capital structure or revenues, resulting in increased risk of loss, including total loss. In addition, these securities may be highly illiquid or may experience losses of liquidity - resulting in an inability to sell said equities or sales prices that are substantially below the purchase or market price. Unless otherwise expressly agreed, we will value these positions at their purchase price for any accounting purposes, which may not reflect losses that would be realized if the position was sold. Of particular risk is that Gebhardt Group will base its account values for billing purposes on these positions’ purchase price (unless another methodology is agreed upon with the client), leading to a potential motivation to overvalue said equities. Finally, we may have clients who are executives of said firms or

have other financial relationships that may create conflicts of interest. Where such conflicts exist, the Firm will disclose these conflicts in written format to the clients who hold such securities or whom we intend to purchase such securities under our discretion prior to any transactions.

## **Item 9 - DISCIPLINARY INFORMATION**

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

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

Gebhardt Group's President, James Gebhardt, and our Client Service Specialist, Nancy Pahl, are registered representatives of Brokers International. Brokers International is independent and unaffiliated with Gebhardt Group and does not supervise Gebhardt Group's investment management services and has no responsibility for the investment management decisions of Gebhardt Group regarding its clients' assets or any other services it may offer its clients. Mr. Gebhardt's and Ms. Pahl's affiliation with Brokers International allows Gebhardt Group to offer investment programs, insurance products and other commission-based products to its clients.

In the course of providing its financial planning or investment management services, Gebhardt Group also may recommend insurance solutions. Mr. Gebhardt is an appointed sales agent for numerous insurance issuers (including AIG Sun America, Hartford, ING Life & Annuity, John Hancock, Lincoln Financial, Putnam Allstate, Standard, Sun Life, Travelers, and Transamerica Life, MetLife Investors, Aviva Life & Annuity and Jackson National.) When Gebhardt Group recommends an insurance product to a client, the applicable insurance issuer pays a sales load or commission to Mr. Gebhardt. The insurance issuers with which Mr. Gebhardt is affiliated are wholly independent of and otherwise unaffiliated with Gebhardt Group. None of them supervise Gebhardt Group's financial planning or investment management services or has any responsibility for our decisions regarding clients' assets or any other services Gebhardt Group may offer its clients.

Gebhardt Group is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. Although we recommend that our clients custody their investment accounts at Charles Schwab & Co., Inc. or Brokers International/Pershing ("Schwab or Brokers International/Pershing"), we are not owned or controlled by Schwab or Brokers International/Pershing and do not supervise their brokerage activities. While Mr. Gebhardt and Ms. Pahl are supervised individually by Brokers International Financial Services regarding their registered representative activities, neither Brokers International Financial Services nor Schwab supervise the investment management activities of Gebhardt Group, Inc.



Although we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, neither the Firm nor its principals or employees are affiliated with any law or accountancy firm nor do we receive any compensation for introducing other professionals to our clients.

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

Gebhardt Group and its employees and their immediate families (sometimes collectively “employees”) are permitted to buy and sell securities for their personal investment accounts. We have adopted employee personal trading policies and procedures and a code of ethics to govern our and employee trading practices. A copy of our employee trading policies and code of ethics is made available to clients and prospective clients upon request.

The Firm’s owner, officers and employees are required to report all personal securities transactions on a regular basis. Employees are required to sign a certification agreeing to abide by the Firm’s personal trading practices and code of ethics. Employees may trade in the same securities traded for clients; however, it is our policy not to give preference to orders for personnel associated with Advisor 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 purchased or sold for client accounts and Advisor and/or its employees on the same day, employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that employees’ personal transactions might be executed at more favorable prices that 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. This can occur when securities that are not suitable for clients at the time of purchase (e.g., speculative stocks, micro-cap stocks, penny stocks), are purchased by employees. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, we may liquidate a security position that is held both for our own accounts 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 stock 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.

## **Item 12 - BROKERAGE PRACTICES**

### **RECOMMENDATION OF SCHWAB OR BROKERS INTERNATIONAL/PERSHING AS CUSTODIAN AND EXECUTING BROKER**

Gebhardt Group recommends that clients establish brokerage accounts with Schwab or Brokers International/Pershing, registered broker-dealers, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Schwab and Brokers International/Pershing are independently owned and operated and not affiliated with Gebhardt Group and do not supervise or otherwise monitor Gebhardt Group's investment management services to its clients. Schwab or Brokers International/Pershing provides Gebhardt Group with access to its institutional trading and custody services, which typically are not available to Schwab or Brokers International/Pershing 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 or Brokers International/Pershing, but are not otherwise contingent upon Gebhardt Group committing to Schwab or Brokers International/Pershing any specific amount of business (in the form of either assets in custody or trading). Schwab or Brokers International/Pershing'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 or Brokers International/Pershing also makes available to Gebhardt Group other products and services that benefit Gebhardt Group but may not benefit its clients. Some of these other products and services assist Gebhardt 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 Gebhardt 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 Gebhardt Group's accounts, including accounts not maintained at Schwab or Brokers International/Pershing. Schwab or Brokers International/Pershing also makes available to us other services intended to help us manage and further develop our business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab or Brokers International/Pershing may make available, arrange and/or pay for these types of services to Gebhardt Group by independent third parties. Schwab or Brokers International/Pershing 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 Gebhardt Group.

Our recommendation that clients maintain their assets in accounts at Schwab or Brokers International/Pershing may be based in part on the benefit to us or 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 or Brokers International/Pershing, which may create a potential conflict of interest.

## **BEST EXECUTION**

Gebhardt 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, Gebhardt 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-dealers willingness to commit capital, the broker-dealers 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, Gebhardt Group may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. Gebhardt Group may select broker-dealers whose fees may be greater than those charged for similar investments if we determine that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

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

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

Gebhardt Group may receive from an executing broker or allow a broker to pay for certain research or brokerage services, known as "soft dollar" brokerage services and research. "Soft dollars" refers to the use of brokerage commissions on client trades to pay for the soft dollar research or brokerage services received. Because many of these services benefit Gebhardt Group in conducting its advisory business, and because the soft dollars used to acquire them are assets of its clients (in the form of commissions), we could be considered to have a conflict of interest in allocating client brokerage

business, in light of a potential incentive to effect more transactions than it might otherwise in order to obtain those benefits.

Although Gebhardt Group receives soft dollar services and research, it is the Firm's policy is to limit its use of soft dollar arrangements to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. To be protected under Section 28(e), Gebhardt Group must, among other things, determine that commissions paid are reasonable in light of the value of the brokerage and "research" services and products acquired. Section 28(e)'s "safe harbor" protects the use of client soft dollars even when the research and brokerage services and products acquired are used in making and implementing investment decisions and transactions for other clients. Only *bona fide* research and brokerage products and services that provide assistance to Gebhardt Group in the performance of its investment decision-making responsibilities are permitted.

Soft dollar research and services may include among others, economic and market information, portfolio strategy advice, proxy voting services, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees, consultations, performance measurement data, on-line pricing, news wire charges, quotation services, computer hardware and software. Gebhardt Group may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms or direct a brokerage firm that executes transactions to share some of its commissions with a brokerage firm that provides soft dollar benefits to Gebhardt Group.

With respect to certain computer equipment and software used for both research and non-research purposes, Gebhardt Group may allocate the costs of such products between their research and non-research uses, and use soft dollars to pay only for the portion allocated to research uses.

Gebhardt Group may pay a broker a brokerage commission in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships that broker provides. In such a case, however, Gebhardt Group determines in good faith that such commission is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, viewed in terms of either the specific transaction or Gebhardt Group's overall responsibilities to the portfolios over which it exercises investment authority. An account may, however, pay higher brokerage commissions than are otherwise available or may pay more brokerage commissions based on account trading activity. In addition, the research and other benefits resulting from a brokerage relationship benefit all accounts managed by Gebhardt Group or Gebhardt Group's operations as a whole, including clients who direct Gebhardt Group to use a broker that does not provide soft-dollar benefits. Gebhardt Group's relationships with brokerage firms that provide soft dollar services may create conflicts of interest, both in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products

between their research and non-research uses. These conflicts of interest may be influential to the extent that Gebhardt Group uses soft dollars to pay expenses it otherwise would be required to pay itself.

Gebhardt Group may, on occasion, be the recipient of unsolicited discounts on software and other services. The discounts are generally offered to all firms who fit a common profile and Gebhardt Group is not offered such discounts because of a particular event or request. Such discounts are accepted with the intent to benefit all clients and the value of these discounts is not considered in the process of selecting securities to purchase for client accounts.

Gebhardt Group routinely considers the amount and nature of the research products and services provided by brokers as well as the extent to which such products and services are relied upon, and will attempt to allocate a portion of its brokerage business on the basis of that consideration. In addition, broker-dealers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocations, but may be expected to exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. In no instance will a broker-dealer be precluded from receiving business simply because it has not been identified as providing research products and services, although Gebhardt Group may not be willing to pay the same commission to such broker as Gebhardt Group would have paid had the broker provided research products and services.

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

Gebhardt Group may combine transaction orders on behalf of multiple clients and allocate the securities or proceeds on an average price basis among the various participants in the transactions. Gebhardt Group and/or its associated persons may participate in such aggregated orders.

While Gebhardt Group believes combining transaction orders in this way should, over time, be advantageous to all participants, in particular cases the average price could be less advantageous to a particular client than if such client had been the only client effecting the transaction or had completed its transaction before the other participants. There may be circumstances in which transactions on behalf of Gebhardt Group or its associated persons may not, under certain laws and regulations, be combined with those of some of Gebhardt Group's other clients. In such cases, neither Gebhardt Group nor any associated person will effect transactions in a security on the same day as clients until after the clients' transactions have been executed.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client by the client's custodian according to the client's custodial agreement. It is our policy that trades are not allocated in any manner that favors one group of clients over another over time. Client transactions may be aggregated according to custodial relationship in consideration of "trade away"

charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different executing brokers may be priced differently.

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

Because we manage 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. We attempt to resolve all such conflicts in a manner that is generally fair to all of clients over time. We may give advice and take action with respect to any of our 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 our 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.

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

Client financial plans are reviewed either by James Gebhardt, President, Portfolio Manager and Chief Compliance Officer or by Nancy Pahl, Client Services Specialist, at least annually for consistency with client objectives. Client investment portfolios are reviewed either by Mr. Gebhardt or by Ms. Pahl, at least quarterly for consistency with the Firm's investment strategy and client investment guidelines. Mr. Gebhardt and Ms. Pahl periodically monitor client holdings to track asset class allocations, cash allocations and other factors. Periodic allocation adjustments may be recommended due to client investment guideline changes, client deposits and withdrawals and significant life changes for the client (births, deaths, marriage, divorce, etc.) Additionally, client holdings are reviewed in response to changes in the financial markets and/or changes in the Firm's investment strategy.

For managed investment portfolios, clients receive quarterly reports summarizing portfolio holdings, cash flows in and out of the account, and asset allocations. In addition, each client receives transaction confirmations and a monthly account statement from the custodian of their account.

Client financial plans and updates are provided on an "as requested" basis. For financial planning clients whose assets are managed by other managers, clients receive monthly custodial statements and quarterly reports directly from the third party advisors/managers.

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

Gebhardt 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. We do not direct brokerage transactions to any broker-dealer in exchange for receiving client referrals.

Gebhardt Group employees are not paid “sales awards” or other prizes for referring clients to the Firm.

## **Item 15 - CUSTODY**

Gebhardt 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. Gebhardt 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.

### **Disclosures Related to Custodians**

Schwab Advisor Services Division of Schwab or Brokers International/Pershing acts as custodian and executing broker-dealer for Gebhardt Group clients. Schwab and Brokers International/Pershing are independently owned and operated and not affiliated with Gebhardt Group and do not supervise or otherwise monitor our investment management services to our clients.

For Gebhardt Group client accounts maintained in their custody, Schwab or Brokers International/Pershing 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 Brokers International/Pershing or that settle into client accounts that are held with Schwab and/or Brokers International/Pershing. In most cases, trade executions for client accounts custodied at Schwab or Brokers International/Pershing will be made by the respective custodian to avoid “trade away” charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab or Brokers International/Pershing send 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 Gebhardt Group of its investment management fees.

## **Item 16 - INVESTMENT DISCRETION**

Clients appoint Gebhardt 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:

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

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.

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 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.

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

It is our policy not to vote proxy solicitations received on behalf of clients from the issuers of securities held in client's account. All such solicitations can be forwarded to client for voting upon receipt of a client request. Any client wishing to review our proxy voting policies in full may request a copy from us.

## **Item 18 - FINANCIAL INFORMATION**

Gebhardt Group does not require or solicit prepayment of its management fees from clients six or more months 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.

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

Please refer to the Firm's Form ADV Part 2B Supplements for the formal education and business backgrounds of its principal, James C. Gebhardt and other Firm employees.

Gebhardt Group is not involved in any other business activities.

Gebhardt Group does not accept performance based investment management fees.

Neither Mr. Gebhardt nor any other member of the Firm's has been involved in, been held liable for or been subjected to an award or judgment for any arbitration, civil action, self-regulatory organization proceeding or administrative proceeding involving an investment related business or activity, fraud, false statement or omission, theft, embezzlement or wrongful taking of property, bribery, forgery, counterfeiting, extortion, dishonest, unfair or unethical practices.

All material conflicts of interest under California Corporations Code Section 260.238 (k) regarding the Firm and its employees which could be reasonably expected to impair the rendering of unbiased and objective advice are disclosed in this brochure.