

# Form ADV Part 2A

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**Aspiriant, LLC**



**Achieve more.**

ASPIRIANT

[aspiriant.com](https://www.aspiriant.com)

Item 1

## Aspiriant, LLC

101 Second Street, Suite 1400

San Francisco, CA 94105

415.371.7800

[aspiriant.com](http://aspiriant.com)

September 8, 2011

This Brochure provides information about the qualifications and business practices of Aspiriant, LLC ("Aspiriant"). If you have any questions about the contents of this Brochure, please contact your client service team or our Compliance Department at [Compliance@aspiriant.com](mailto:Compliance@aspiriant.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Aspiriant is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Investment Adviser provide you with information from which you determine whether to hire or retain an Investment Adviser.

Additional information about Aspiriant also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Aspiriant is 146720.

## Item 2

### Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document (“Brochure”) that we provide to clients as required by SEC Rules. This Brochure dated September 8, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Brochure is materially different in structure than what you have received from us in the past, and requires certain new information that our previous Brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our Brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Shanda Gentry, Director of Compliance, at 513.784.7195 or by email at [SGentry@aspiriant.com](mailto:SGentry@aspiriant.com), or you may contact Michael Kossman, Chief Compliance Officer, at 415.371.7881 or by email at [MKossman@aspiriant.com](mailto:MKossman@aspiriant.com). Our Brochure is also available on our website [www.aspiriant.com](http://www.aspiriant.com) also free of charge.

Additional information about Aspiriant is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with Aspiriant who are registered, or are required to be registered, as investment adviser representatives of Aspiriant.

### Item 3

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**Item 4****Advisory Business**

We were created out of the passion of the firm's principals to provide deeply integrated and complete wealth management services for our group of high net worth family clients. Drawing on our deep roots in the wealth management industry, we were formed when the highly regarded firms, Kochis Fitz in San Francisco (est. 1991), and Quintile Wealth Management in Los Angeles (est. 2002), combined in 2008 to provide a full suite of sophisticated, integrated wealth management and family office services. Today, we have 450 clients and manage \$3,384,558,000 on a discretionary basis and \$1,174,134,000 on a non-discretionary basis.

Aspiriant is owned by Aspiriant Holdings Corporation (66.6%) and Aspiriant Holdings, LLC (33.4%). In turn, we have 30 principal owner-operators who own shares in one or both of the holding companies, with no one person owning more than 14% of the firm. This ownership structure is a key part of our firm – it creates client service stability and drives our future by maintaining a strong, executable plan for succession.

We offer complete wealth management services to high net-worth individuals, trusts, estates, private foundations, and business entities. In order to perform our services well, we meet with our clients and work with them to outline their financial circumstances and investment objectives. We then offer an investment management program tailored to their needs. Once a client chooses an overall investment mix (referred to as an "asset allocation"), we select the specific securities to fulfill the desired mix of assets. In this version of discretionary management, we use selected separate account managers, separate investments in equities, mutual funds, exchange-traded funds, exchange-traded notes, private partnerships, bonds, cash-equivalents, and other instruments. The "private partnerships" utilized in client portfolios (usually "limited partnership" interests) are either managed by third parties or by us. This is described in more detail below in both Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, and Item 10, Other Financial Industry Activities and Affiliations.

As part of our service, we will monitor your portfolio's investment performance and the investment markets, and will rebalance your assets among the funds and the separate investments in keeping with your investment policy statement and chosen asset allocation.

We prepare strategic plans and provide complete financial planning for you by determining, among other things, your long-term and short-term financial needs and objectives, risk tolerance or risk-aversion, tax status, current investments, and current investment allocation. We also develop financial models that test how well your desired expenses match your expected financial resources.

When providing investment advisory services we consider your personal situation, income needs, time horizon, liquidity needs, legal and tax constraints, risk tolerance, inter-generational issues, and special needs. We will also provide advice on matters that may not pertain to investments when overseeing the complex financial lives of families with substantial assets including educating multi-generations within families about living with their wealth.

In addition to investment advisory services, we also provide financial planning and family office services as further described in Item 10, Other Financial Industry Activities and Affiliations.

**Item 5****Fees and Compensation****Fees for Managing Your Investments**

The way we charge investment management fees is established in your written agreement. We bill our investment management fees quarterly, in arrears. Investment management fees are calculated using the agreed-upon fee schedule applied to the value of the managed portfolio on the last day of the calendar quarter. Clients authorize us to directly debit the fees from specific client accounts designated by them. Fees are prorated for the first quarter in which you engage us based on the number of days from the effective date of the engagement agreement to the last day of the calendar quarter. If you terminate your engagement agreement during a calendar quarter, you will be charged a prorated fee, which is due and payable on the day the agreement terminates. In the event that you have prepaid fees, upon termination any prepaid, unearned fees will be promptly refunded.

If you terminate your engagement agreement with us while invested in the private funds we manage, those investments remain subject to the terms of the private offering memorandum and partnership agreement; termination of your engagement agreement with us does not necessarily permit you to redeem your interest in such private investments.

We do not receive any fees or compensation related to the sale or purchase of securities or other investment products. Neither we nor any of our employees or principals receives any commissions from sponsors of investments products.

We charge fees based on a standard fee schedule, ranging from 1% to 0.2% of the value of your portfolio, per annum, with a minimum annual fee of \$42,500. We believe our fees to be market-based and competitive; however, all fees are subject to negotiation.

We are the investment advisor to certain private investment funds made available to our clients. Those clients who invest in these private partnerships are not charged an additional fee for doing so. If you terminate your engagement agreement with us, you will remain subject to the terms of the partnership agreement governing the private investment funds, and pay a management fee that commences in the first quarter following the termination of your investment advisory engagement with Aspiriant.

The value of private investments is included in your overall portfolio value for purposes of calculating quarterly fees, including private investments managed by us. We do not charge the funds we manage a management fee, except with respect to investors who are not otherwise our clients. Each fund is responsible for paying various expenses relating to it, including but not limited to costs and expenses of offering and selling the fund's interests and communicating with existing and prospective investors, and administration, accounting, bookkeeping, tax, audit, legal and other professional, expert and consulting fees arising in connection with the fund. Some of these costs are incurred by Aspiriant and reimbursed by the fund.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses charged by others and which are paid by you. You may incur certain charges imposed by custodians,

brokers, third party investments and other third party activities such as fees charged by managers or custodians, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in each fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to our fees, and we do not receive any portion of these commissions, fees, and costs.

Item 12, Brokerage Practices, further describes the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., their commissions).

We do not independently value any securities held in your accounts, the value of which determines our fees. Nonetheless, certain investments in the private funds advised by us require analysis and judgment on our part to determine their value using third-party information as the basis for such valuation. The periodic financial and performance information provided by the managers themselves will be used as the basis for performance reporting and fee billing where you pay an asset-based fee, as is generally the case. For marketable securities (those that are traded in public exchanges), the prices provided to us by custodians and/or third party pricing services are used for reporting performance to you, and for calculating your fees. Please see additional information below regarding Valuation in Item 12.

In some instances, precise account balances are unavailable to us on a timely basis. Billing in those situations is therefore based on the most current information available when fees are calculated, or as otherwise outlined in our valuation procedures.

While we make every effort to obtain account balances directly from custodians, for reporting purposes we may request that you regularly provide us with copies of account statements.

### **Fees for Wealth Planning Services**

The specific manner in which wealth planning fees are charged by us is established in your written agreement with us. Case-by-case retainer fees are negotiated to respond to the volume and complexity of ongoing work based on hourly billing rates and the expected amount of time our staff will spend on the work being performed. Retainers typically range from \$5,000 to \$50,000, but can be far greater than this for highly complex family office engagements. For special projects and/or ongoing consulting on wealth planning issues, fees are based on expected service time and hourly fees ranging from \$80 to \$580 per hour depending on the staffing of the engagement. Our fees are due and payable upon your receipt of our invoice. All fees are negotiable. Upon termination of the Retainer Agreement, any unused retainer credit is refunded based on either the passage of time or utilization of hours, depending on the terms of the engagement.

"Wealth planning services" may include but are not limited to financial planning, estate planning, tax planning, tax return preparation, expense management and bill payment services, retirement planning, risk management, and philanthropy. While we have standard hourly billing rates for wealth planning, all fees are subject to negotiation.

Either we or you may terminate the Agreement at any time. Notice of termination may be given to the other party either verbally or in writing. You are responsible for payment for services rendered until the termination of your agreement. You can cancel the agreement without penalty within the first five days after the signing of the agreement.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for our clients' transactions and determining the reasonableness of their compensation (e.g., their commissions).

#### Item 6

### Performance-Based Fees and Side-By-Side Management

We do not charge any performance-based fees (fees based on a share of capital gains on, or capital appreciation of, the assets of a client) due to the inherent conflict of interest in charging fees in such a manner.

#### Item 7

### Types of Clients

We provide investment advisory and financial planning services primarily to individuals with substantial wealth. This encompasses a variety of distinct market segments: corporate executives, business owners, and affluent, high net worth individuals. We also provide investment management services to pension plans, trusts, and charitable institutions, such as foundations that are often connected to, and created by individual clients. We do not have an absolute minimum for investment portfolios or a minimum account size. We typically provide investment advisory services to clients with investment portfolios of \$5,000,000 or more.

#### Item 8

### Methods of Analysis, Investment Strategies and Risk of Loss

We offer comprehensive wealth management services, which combine financial planning and investment management. We work with you to clarify and fully understand your current financial situation and goals. We then suggest an investment management program personalized to your needs and your ability to endure market changes. Your portfolio allocations outlined in the investment management program that we develop with you are the result of two major steps:

- (1) We create "capital market expectations" (CMEs), meaning a long term (20 year) market outlook on investment markets that helps us create standard portfolios; and
- (2) We help you select a standard, optimized portfolio and customize your investment allocation, if necessary, based on your personal circumstances.

Our investment advice is based on our long-term CMEs which include returns for, and risks to, various types of investments (asset classes): fixed income [bonds]; real estate; global public equity [stocks, of both large and small, and domestic and overseas companies that are traded on an exchange]; private equity [investments



in companies that are not traded on an exchange] and opportunistic strategies [sophisticated investment strategies usually implemented by hedge funds]; and natural resources/commodities. We believe that worldwide investments can provide positive portfolio growth over the long term. We expect your portfolio's returns to compare favorably to the return produced by a portfolio of relevant benchmarks, and each investment's benchmark will be the return of a recognized investment index such as the S&P 500. This comparison to benchmarks is referred to as "relative performance." We do not expect a large part of your returns to come from the outperformance of individual investment managers compared to the standard index for those investments.

We develop and then periodically update our CMEs (usually every two years) by using both internal analysis and research from third parties, including financial services firms, governments and quasi-governmental entities, academics, and non-governmental institutions. These CMEs represent our expectations for returns and risks to various asset classes (large company domestic stock small company, and so forth) and then build investment portfolios which aim to have the lowest possible overall risk for a given level of expected return. This portfolio design considers how the various asset classes are expected to perform relative to each other, their correlations, as well as how a particular asset class' risk relates to the other asset classes.

Our standard portfolios that target the lowest risk will more heavily weight bonds, while portfolios that target higher risk/return profile will focus on stocks and other asset classes which are expected to have a high return. Within each asset class, the allocations and implementation (managers, specific securities) are generally the same for portfolios with different risk and return targets; it is the overall asset allocations that differ.

We often use two tools developed by Zephyr Analytics. Zephyr StyleAdvisor is a software package which facilitates the comparison of investment performance of mutual funds, exchange traded funds and individual securities to standard market benchmarks. Zephyr Allocation Advisor facilitates asset allocation by computing the risk and return characteristics of portfolios of securities or indexes, given our assumptions about the risk and return of those portfolio elements. We also use numerous sources of information both public and private, including but not limited Morningstar, Bloomberg, Yahoo Finance, and the *Wall Street Journal*.

We divide our investment program into three steps

1. Allocation across asset classes (e.g., stocks, bonds, domestic, overseas, large companies, small companies, real estate, commodities);
2. Strategy/manager selection within each asset class; and
3. Executing the program.

We actively review the investments chosen for you to make sure they are meeting our performance objectives. The majority of our investments are made using third party sub-advisors, including mutual funds, exchange traded funds, hedge funds, separate account managers, and other private investment partnerships. We also invest in certain individual securities.

We periodically rebalance our clients' portfolios because studies show that this increases returns and/or lowers risk over the long-term. Rebalancing involves trading securities – buying some and selling others - in order to bring your portfolio back to your original asset allocation. This is necessary because, over time, the distribution

of your portfolio may become out of alignment with your investment goals. And, in the near term, you'll find that some of your investments will grow faster than others. You may experience some additional transaction costs due to this rebalancing. You also may suffer some lower returns if the assets sold have higher returns in the future than those being purchased.

### Material Risks

- The progress of the capital markets is unpredictable, and our analysis is not able to predict future investment returns.
- All investments can lose value and certain asset classes and/or specific securities which we choose may have poor returns for an extended period.
- A focus on long-term returns could cause us to ignore or be less concerned with near-term economic or market events.
- The investment managers we choose may underperform their benchmarks, resulting in a worse return than investing in a single index fund or a portfolio of index funds.
- While we believe our approach will result in a lower tax bill than a traditional actively managed portfolio, our portfolios may incur higher taxes than an index fund, making any of our managers' underperformance of the benchmarks worse.
- Private investment vehicles often have limited liquidity and pursue investment strategies which are not completely transparent to investors.

### Potential Risks of Investing in Private Investment Funds

Private investment funds generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in each fund's offering documents, which will be provided to you for review and consideration. Investing in private investment funds is intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment. You should carefully review and consider potential risks before investing in private funds. Certain of these risks may include loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity because of redemption terms and conditions and that there may not and will not be a secondary market for the fund, volatility of returns, restrictions on transferring interests in the fund, a potential lack of diversification, higher fees than mutual funds, lack of information regarding valuations and pricing, and advisor risk. You will be required to complete a subscription agreement with the private investment fund itself, pursuant to which you will establish that you are qualified to invest in the fund, and acknowledge and accept the various risk factors that are associated with such an investment. Private investment funds have liquidity risk and investors may not be able to redeem their investment per the offering document's disclosures.

### Potential Risks Associated with Investing in Private Equity and Private Real Estate Funds

There are particular risks associated with investing in private equity and private real estate funds that generally do not hold publicly traded securities.

#### *They are Long-term Investments*

Unlike mutual funds, which generally invest in publicly traded securities that are relatively liquid, private equity funds generally invest in large amounts of illiquid securities from private companies. Depending on the strategy used, private real estate funds will have illiquid underlying investments that may not be easily sold, and investors may have to wait for improvements or development before any redemption. Given the

illiquid nature of the underlying purchases made by private equity and private real estate managers, private equity and private real estate funds are considered long-term investments. Private equity funds are generally set up as 10- to 15-year investments with little or no provision for investor redemptions. Private real estate funds are generally seven- to ten-year investments and also have limited provisions for redemptions. With long-term investments, you should consider your financial ability to bear large fluctuations in value and hold these investments over a number of years.

#### *They are Difficult to Value*

The portfolio holdings in private equity and private real estate funds may be difficult to value, because they are not usually quoted or traded on any financial market or exchange. As such, no easily available market prices for most of a fund's holdings are available. Additionally, it may be hard to quantify the impact a manager has had on underlying investments until those investments are sold.

#### *They are Illiquid Investments*

Private equity and private real estate funds are not "liquid" (they cannot be sold or exchanged for cash quickly or easily), and the interests are typically nontransferable without the consent of a fund's general partner. As a result, private equity and private real estate funds are generally only suitable for sophisticated investors who have carefully considered their financial capability to hold these investments for the long term.

#### *Default on Capital Calls has Consequences*

Answering capital calls to provide managers with the pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a timely manner could elicit significant adverse consequences, including, without limitation, the forfeiture of the defaulting investor's interest in the fund.

#### *They Often Employ Leverage*

Private equity and private real estate funds may use leverage (i.e., debt) in connection with certain investments or participate in investments with highly leveraged capital structures. Although the use of leverage may enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the assets underlying such investments. Leverage can also amplify losses.

## **Risk Reduction**

Investing in stocks, bonds, and other types of investments inherently involves a certain level of risk. No matter how well designed a portfolio is, it contains some potential for losing value. We therefore employ certain techniques in assisting clients to manage that risk, such as:

- Investing in a variety of asset classes which react differently to the irregular, unpredictable up and down movements in the economy, both in the US and internationally.
- Allocating assets across asset classes which react differently to the business cycle (an ongoing cycle of growth, decline, recession, and recovery in the economic activity of a particular economy), rather than relying completely on statistical measures of risk (like correlation).
- Using derivatives, a contract whose value is derived from another asset, such as stocks, bonds,

currencies, interest rates or indexes. Our use of derivatives is typically for hedging, and trying to protect against a decline in the value of our clients' investments. Derivatives are not used in all client portfolios; they are only recommended to and utilized by clients whose circumstances are appropriate for such types of investments.

- Constantly monitoring and attempting to reduce fees and expenses (e.g., negotiating trading fees and margin rates with custodians).

Investing in securities involves risk of loss that clients should be prepared to bear.

#### Item 9

### Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us, or the integrity of our management. We have no information applicable to this Item.

Neither we as a firm nor any of our Investment Adviser Representatives has been subject to any disciplinary action as of the date of this brochure.

#### Item 10

### Other Financial Industry Activities and Affiliations

In addition to providing the investment advisory services described in Item 4 above, we also provide non-investment advisory services commonly referred to as financial planning and family office services. These may include personal tax and cash flow planning, tax compliance, estate planning, retirement planning, educational funding, insurance planning, compensation and benefits planning and the preparation of financial analyses, expense management, bill paying and personal financial statements reflecting net worth, cash flow and income tax projections.

Neither we, our affiliates, nor any of our employees or principals are registered as a broker dealer or has any plans to register. Additionally, none of these parties is registered or plans to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

We have a rather complex corporate structure and therefore have inter-company relationships that are material to providing advisory services to clients. Our primary operations are conducted by Aspiriant and Aspiriant Investment Advisors, LLC ("AIA"). There are two "parent" companies that are holding companies, as described in Item 4. Advanced Capital Intelligence, LLC is owned by the same holding companies. It serves as the general partner of investment partnerships to which Aspiriant is the investment advisor. Additional information about our corporate structure is available in our ADV Part 1 via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Aspiriant has a subsidiary business called Aspiriant Investment Advisors, LLC ("AIA"). Aspiriant owns 51% of AIA, with the other 49% being owned by owner-operator employees working in this division. AIA provides fee-only investment advisory services and financial planning services. The fees for financial planning services are charged on an hourly or fixed fee basis. AIA provides financial planning services to a variety of distinct market segments: corporate executives, businesses, business owners, affluent, high net worth individuals, foundations, and trusts. In general, the financial planning services include assistance in defining and quantifying goals and priorities and the evaluation of needs with respect to income tax and cash flow planning, retirement planning, education funding, risk management, and compensation planning.

Pursuant to a Management Agreement, AIA pays Aspiriant a management fee. The fee is a fixed dollar amount and is subject to annual negotiation. The Management Agreement requires that certain employees of Aspiriant, some of whom are principals, devote time to the management of AIA in areas including but not limited to executive leadership, finance, human resources, technology, legal, regulatory compliance, and sales and marketing.

Primiani & Stevens, PC is a law firm owned by Marc Primiani & Clay Stevens, who are also principals of Aspiriant. The law firm and Aspiriant share many clients, however Primiani & Stevens has many clients who are not clients of Aspiriant. The firms may be engaged independently of each other by you. While there may appear to be a conflict of interest present in this relationship, Aspiriant is prevented from soliciting services on behalf of the law firm due to American Bar Association rules and regulations. Aspiriant does not receive any compensation from other advisers it may recommend to or select for our clients.

Advanced Capital Intelligence, LLC ("ACI") is owned by the same holding companies described in Item 4; it serves as the general partner to investment partnerships made available to clients who qualify to invest in such investment vehicles and for whom such an investment is appropriate in the context of their investment policy statement. Aspiriant is the investment advisor to these private investment funds. Aspiriant's or Aspiriant Investment Advisors' clients who invest in these private partnerships are not charged an additional fee for doing so, thereby the potential conflict of interest created by directing clients to an investment that could appear to benefit Aspiriant and its owners is mitigated. Further, there is no carried interest or performance fee paid to Aspiriant by these private investment partnerships.

Certain employees of Aspiriant, some of whom are principals, devote time to the management of ACI. ACI is a sister-company to Aspiriant, being owned in the same proportion as Aspiriant by the holding companies which own Aspiriant, LLC.

One or more of the ACI Funds may make investments in which either an investor in the ACI Funds and/or a client of ours has a financial interest. For example, a client of ours may operate a private real estate fund that is made available to one of the ACI Funds. A conflict of interest could be present due to an incentive to allocate more assets of the fund toward an investor if that investor has some relationship with the firm or if they have substantial assets managed by the firm. Aspiriant, as investment advisor to the ACI Funds, will apply the same thorough approach to the due diligence and analysis of this potential manager as it would to any other manager we consider including in an ACI Fund's portfolio.

**Item 11****Code of Ethics, Participation in Client Transactions and Personal Trading**

We have adopted a Code of Ethics for all employees of the firm describing our high standard of business conduct, and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, prohibition of insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All of our employees must acknowledge the terms of the Code of Ethics (COE) annually, or as amended.

Our COE requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the firm above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on oneself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve one's professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

Our COE also requires employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the firm with a detailed summary of certain holdings and securities accounts (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A complete copy of our COE is available to any client or prospective client upon request.

We may include in our recommended investments certain exchange-traded funds or mutual funds in which clients of ours may have an indirect financial interest. This includes but is not limited to funds where the issuer also employs clients of ours, or a mutual fund where a client is a member of the mutual fund board of trustees. We apply the same rigorous approach to the due diligence and analysis of such securities as we would any other investment recommendations.

Our employees and persons associated with us are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, our officers, directors and employees and affiliates may trade for their own accounts in securities which are recommended to and/or purchased for our clients. The COE is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the COE certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of our clients. In addition, the COE requires pre-clearance of many transactions, and restricts trading ahead of client trading activity. Nonetheless, because the COE permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is regularly monitored under the COE, to reasonably prevent conflicts of interest between us and our clients.

Certain affiliated accounts (such as the private investment partnerships or our employees' accounts) may trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of adhering to the principle of "best execution." In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. We will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

It is our policy that the firm will not do any *"agency cross securities transactions"* (defined below) for client accounts. We will on rare occasion do *"principal transactions"* or *"cross trades"* (defined below) between client accounts, such as when an individual client contributes an interest in an investment to one of the private partnerships to which we are the investment adviser. In this circumstance, the client receives an interest in the private partnership equal to the fair value of the contributed investment. We will not do cross trades of publicly traded securities between client accounts. *"Principal transactions"* are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An *"agency cross transaction"* is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

In the normal course of business, Aspiriant and its officers, manager and employees may provide gifts and gratuities to various individuals or entities such as clients, vendors, consultants, and service providers. These gifts, gratuities and contributions are not premised upon any specific client referrals or any expectation of any other type of benefit to Aspiriant. Aspiriant has adopted detailed procedures requiring preapproval and recordkeeping of gifts and gratuities.

**Item 12****Brokerage Practices****The Custodian and Brokers We Use**

We do not maintain custody of your assets that we manage or advise on, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 – Custody, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use one of the three following custodian/broker-dealers as the qualified custodian: Charles Schwab and Co., Inc., (Schwab Advisor Services® division of Charles Schwab & Co., Inc. (Schwab)), a FINRA-registered broker-dealer, member SIPC; Fidelity Brokerage Services, LLC; and TD Ameritrade (TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc., member FINRA/SIPC/NFA), collectively referred to below as “Recommended Custodians” or “Custodian.” We are independently owned and operated and are not affiliated with any custodian. The custodian will hold your assets in a brokerage account, and buy and sell securities when you instruct them to. While we suggest that you use one of the previously mentioned custodians/brokers, you will decide whether to do so and will open your account by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at a particular custodian, we can still use other brokers to execute trades for your account as described below (see Your Brokerage and Custody Costs below).

**How We Select Brokers/Custodians**

We seek to select a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below



Because we consider all of the above factors in our selection of Recommended Custodians, you may not receive the lowest possible commission rate or fee for a particular transaction on a particular day. Our annual Best Execution review considers many factors as noted above, and seeks to ensure the best overall arrangement for the cost of brokers services and trade execution over many trades and over time for the majority of our clients.

## **Your Brokerage and Custody Costs**

For our clients' accounts that a Recommended Custodian maintains, the Custodian generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your account. For some accounts, the Custodian may charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Commission rates and asset-based fees applicable to our client accounts at Recommended Custodians were negotiated on behalf of our clients collectively, and are reviewed no less than annually as part of our review of custodians and broker dealer services ("Best Execution Review"). In addition to commissions and asset-based fees, our Recommended Custodians generally charge you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your account at the Custodian. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, you should have the Custodian where your account is held execute most trades for your account. We have determined that having the Custodian where your accounts are held execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see How We Select Brokers/Custodians above).

The following is a more detailed description of support services we receive from one or all of our Recommended Custodians:

### ***Services That Benefit You***

Our Recommended Custodian's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the Custodians include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit you and your account.

### ***Services That May Not Directly Benefit You***

Our Recommended Custodians also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both the Custodian's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at a Recommended Custodian or the particular Custodian with the research. In addition to investment research, our Recommended Custodians will make available software and other technology that:

- Provide us with access to your account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data

- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

### ***Services That Generally Benefit Only Us***

Our Recommended Custodians also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

The Custodian may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Custodians may also discount or waive fees for some of these services or pay all or a part of a third party's fees. Custodians may also provide us with other benefits, such as occasional business entertainment of our personnel, and may make occasional contributions to charitable organizations with which we, our employees and/or their families have a relationship.

### **Charles Schwab & Co - Products and Services Available to Us From Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's department that serves independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer your accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. Currently our assets maintained at Schwab exceed \$2.5 billion.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The benefits we receive, that you may also benefit from, may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based solely on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see How We Select Brokers/Custodians above) and not Schwab's services that benefit only us. We have over \$2.5 billion dollars in client assets under management with Schwab, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

### Soft Dollars

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use “commission dollars” of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. We use commission dollars to pay only for products and services we reasonably believe fall within the safe harbor of 28(e).

We may receive allocations of “soft dollar” credits from broker-dealers and/or asset custodians that may be used to offset the cost of research provided by such broker-dealer or asset custodian. You do not incur higher costs as a result of these allocations, and such allocations are not a material consideration when a particular broker-dealer or asset custodian is selected or recommended to you. While we generally recommend a particular custodian or broker/dealer, clients may choose to use service providers other than those recommended by us. See additional information regarding Directed Brokerage (below) and How We Select or Recommend Brokers (above).

Our relationships with broker/dealers that provide soft dollar services may influence our judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not. We therefore may have an incentive to select or recommend a broker based on our interest in receiving soft dollar services. These conflicts of interest are particularly influential to the extent that we use soft dollars to pay expenses we would otherwise be required to pay ourselves.

We acknowledge these conflicts of interest, and have instituted controls to manage them. We address the conflicts by evaluating, at least annually, the trade execution and other services that we and our clients receive from the broker/dealers that are used to custody assets and execute trades (our “Best Execution” review, discussed above). We also compare the pricing of various services, such as commissions and margin rates, amongst all of our recommended custodians to ensure the best combination of pricing and services for our clients irrespective of any soft dollar allocations. Additionally, the negotiation of soft dollars is managed within the corporate function of Aspiriant; client service teams and others providing investment advice do not participate in such negotiations, thereby disconnecting the people driving recommendations from the receipt of soft dollars.

Soft dollar benefits are utilized across Aspiriant for the benefit of all clients, and are not limited to our clients who may have generated a particular benefit; that is, certain soft dollar credits may be disproportionately generated by particular clients or groups of clients.

### Valuation

We will value securities in your accounts that are listed on a national securities exchange or on NASDAQ at the last quoted sales price on the principal market where the securities are traded. We receive this information from custodians and/or independent third party pricing services.

The value of alternative investments will be based on the last reported market value of your alternative investments, as provided by the manager of the alternative investment, plus a sum equal to the

amount of your contributions to the alternative investment less distributions, as calculated from the date of the last reported market value of such investment. However, if the manager of the alternative investment has never provided you with a market value of the alternative investment, then the fee for the alternative investment shall be determined on the last day of the calendar quarter and based on the total amount of your contributions to the alternative investment less distributions over the life of the investment. Other securities or investments in your accounts will be valued in a manner determined in good faith by us to reflect fair market value, or cost where appropriate, however we generally do not perform security valuations, rather we rely on third parties to provide this data. Securities held in the private investment partnerships discussed above are valued based on information received from the underlying third-party managers, however, they are subject to more testing by us as to the reasonableness of the valuation methods used by such managers.

### Trade Errors

From time-to-time, but rarely, we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the broker-dealer which has custody of the account in which the error occurred. We attempt to minimize trade errors by promptly performing electronic reconciliation procedures with order tickets and intended orders, and by reviewing past trade errors to understand whether internal control breakdowns, if any, caused the errors. Trading errors will be corrected at no cost to you.

Broker-dealers are not be permitted to assume responsibility for trade error losses caused by us. Nor may there be any reciprocal arrangements with respect to the trade in question or any subsequent trade to encourage the broker to assume responsibility for such losses. We will reimburse accounts for losses resulting from trade errors, but will not credit accounts for market losses unrelated to our error, or an error resulting in market gains. The gains and losses are reconciled by the custodian within our trade error settlement accounts. In the event that we must reimburse you (as opposed to cancelling a trade) for a trade error costing more than \$5,000, prior to disbursing funds or crediting fees, we will obtain your written approval of the proposed resolution.

### Directed Brokerage

If you restrict us to using a particular broker-dealer (or direct us to use a particular broker-dealer) for executing their transactions, you will generally be unable to participate in aggregated orders and will be precluded from receiving the benefits, if any, of an aggregation which other clients may receive. In addition, our clients that direct brokerage transactions to a particular broker-dealer may be disadvantaged because they may not obtain allocations of new issues of securities purchased by us through other brokers-dealers. We will generally execute aggregated orders for "non-directed" clients (those who use our recommended custodians noted above) before we execute orders for clients that direct brokerage. We may also execute trades for non-directed clients through the same broker-dealer to which other clients direct brokerage.

Under certain circumstances, you may receive different pricing for the same security on the same day compared to pricing received by another client in order to accommodate your needs or another client's specific needs or instructions to us. Additionally, our clients being served primarily from one office could receive a different price for the same security on the same day as a client being served from another office. While we extend our best efforts to provide aggregated execution across offices as well as within the same office, client circumstances and/or the trade approval and execution process may not always allow for that to occur.

**Item 13****Review of Accounts**

All your accounts are regularly reviewed to ensure that your investment allocation is aligned with your individual circumstances and is consistent with our assessment of market conditions. General conditions in the stock and bond markets are monitored, and assessed from both a short-term and long-term perspective.

As a matter of course, we provide you with quarterly investment performance reports. For portfolios under \$250,000, such as those managed for children or other family members as part of a larger overall engagement, we will issue performance reports annually. The preparation of the quarterly report includes a review by the primary relationship manager serving you. Investors in private investment funds will receive quarterly capital account statements directly from the fund manager or our third party administrator in the case of funds managed by us.

More in depth reviews are triggered by events like changes in your financial circumstances and significant changes in conditions in the stock and bond markets, such as large price movements, big economic surprises, and abnormal or unusual trading volumes. Reviews of your accounts are also triggered by significant changes in the management or policies of other investment vehicles such as mutual funds, separate account managers, or individual securities.

Accounts are reviewed by the Wealth Managers responsible for your accounts. There are no set minimums or maximums limiting the number of accounts that a Wealth Manager can review.

Your accounts are reviewed to confirm that your recommendations and investment plans are consistent with your financial goals, and are appropriately designed to help achieve those objectives. Periodic on-going reviews are conducted on an “as needed” basis depending on your needs and the nature of the financial issue. We expect to meet with you at least once annually, but more often quarterly, as well as have other contact by voice or email more frequently throughout the year.

**Item 14****Client Referrals and Other Compensation**

We often receive referrals from our existing clients, as well as from other professional service providers, such as lawyers and accountants. While this might provide incentive for us to discount fees for clients who refer business to us, it is our strict policy not to do so. Referrals from other professional service providers could cause us to want to return the referrals, however we are careful to refer our business, and that of our clients, in as unbiased a way as possible. We therefore frequently provide multiple names when asked for referrals to professional service providers. None of these individuals or firms is compensated in any way for providing client referrals to us.

**Item 15****Custody**

You should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains your investments. We urge you to carefully review such statements and compare such official custodial records to the information we provide to you such as our quarterly performance reports. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. We are happy to investigate any differences you encounter, and recommend that you inform us of such discrepancies. We encourage you to ask questions about any discrepancies that you identify.

**Item 16****Investment Discretion**

We usually receive discretionary authority from our clients at the outset of an advisory relationship; this makes us responsible for selecting the identity and amount of securities to be bought or sold in your accounts. In all cases, however, such discretion is to be exercised in a manner consistent with your stated investment objectives as outlined in your investment policy statement. You will need to execute a limited power of attorney to permit us to trade in your accounts.

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions that you and we have discussed and agreed upon. We document those policies and investment guidelines in an investment policy statement for you to review and agree to, and which we both sign.

It is your responsibility to promptly notify us if there is ever any change in your financial situation or investment objectives. It is necessary that you keep us promptly informed about changes in your financial circumstances for the purpose of reviewing, evaluating, and/or revising our previous recommendations to you.

Because we manage more than one account and have many clients with varying circumstances, there may be conflicts of interest over time devoted to managing any one account and allocating investment opportunities among all the accounts we manage. For example, we may select investments for a particular client based solely on the investment strategy being pursued for that client. Different clients may have differing investment strategies and expected levels of trading. We may buy or sell a security for you but not for another client, or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client. We attempt to resolve all such conflicts in a manner that is generally fair to all of our clients. We may give advice to, and take action on behalf of, any of our clients that differs from the advice given to another client so long as it is our policy, to the extent practicable, to allocate investment opportunities to our clients fairly and equitably over time. We are not obligated to acquire for any account any security that we, our principals, or our employees may acquire for their own accounts or for any other client, if in our absolute discretion, it is not practical or desirable to acquire a position in such security for that account.

We may provide investment management services with respect to assets held in your 401(k) and/or 529 Plan accounts with various mutual fund companies. Because we will be responsible for effecting the transactions in these accounts and/or reporting their investment performance, we will request your user name and password

that permits online access to the account for informational purposes only. We may also use third-party data aggregators to obtain this information. Appropriate physical and procedural safeguards have been adopted by us to control access to the user names and passwords.

#### Item 17

### Voting Client Securities

As a matter of firm policy and practice we do not vote proxies on your behalf. You may retain the responsibility for receiving and voting proxies for any and all securities maintained in your investment portfolio. We may provide advice to you regarding the voting of proxies; however we shall not be deemed to have voting authority with respect to such shareholder matters as a result of providing such advice.

Separate account managers may be utilized to implement certain components of your investment plan. These separate account managers may vote proxies, however we do not participate in or advise the separate account manager in any way on such votes. Records regarding any votes cast are maintained by the separate account manager, and are available upon request.

Aspiriant is affiliated with certain private investment partnerships and off-shore corporations through its sister-company Advanced Capital Intelligence, LLC, as described above. We may determine that it is in the best interest of the limited partners or shareholders to vote such proxies or vote on issues that may be considered to be proxies, including but not limited to amendments to partnership agreements or changes to similar governing documents. We may also choose, in our sole discretion, to decline voting on certain matters. We maintain the required records regarding our votes, and these records are available to investors in the investment partnership(s) concerned.

With regard to all matters (other than proxies) for which shareholder action is required or solicited with respect to securities beneficially held in your accounts, such as (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) bankruptcies or reorganizations, we disclaim responsibility for electing/voting (by proxies or otherwise) on such matters and will not take any action with regard to such matters.

#### Item 18

### Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Aspiriant's financial condition. We are pleased to attach to this Brochure our audited financial statements for our most recent fiscal year.

# Aspiriant, LLC and Subsidiary

Consolidated Financial Statements as of and  
for the Year Ended December 31, 2010, and  
Independent Auditors' Report



# **ASPIRIANT, LLC AND SUBSIDIARY**

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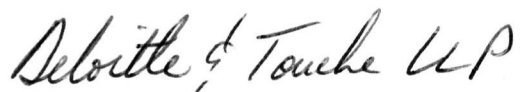
## INDEPENDENT AUDITORS' REPORT

To the Members of  
Aspiriant, LLC and Subsidiary:

We have audited the accompanying consolidated balance sheet of Aspiriant, LLC and subsidiary (the "Company") as of December 31, 2010, and the related consolidated statements of operations, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2010, and the results of its operations, changes in its equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



March 30, 2011

# **ASPIRIANT, LLC AND SUBSIDIARY**

## **CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2010**

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### **ASSETS**

#### **CURRENT ASSETS:**

Cash and cash equivalents	\$ 485,952
Accounts receivable — net of allowance for doubtful accounts of \$226,571	5,185,893
Prepaid expenses	477,567
Other current assets	<u>113,185</u>

Total current assets 6,262,597

#### **LONG-TERM ASSETS:**

Intangible assets — net	8,879,499
Due from noncontrolling interests	512,478
Deposits and other assets	250,693
Property and equipment — net	<u>1,555,874</u>

Total long-term assets 11,198,544

TOTAL \$17,461,141

### **LIABILITIES AND MEMBERS' EQUITY**

#### **CURRENT LIABILITIES:**

Line of credit	\$ 1,350,000
Current portion of long-term debt	936,616
Accounts payable and accrued liabilities	1,355,148
Accrued vacation payable	709,513
Deferred revenue	166,334
Deferred rent and lease incentives — current	<u>86,872</u>

Total current liabilities 4,604,483

LONG-TERM DEBT 7,305,638

DEFERRED RENT AND LEASE INCENTIVES 484,833

Total liabilities 12,394,954

#### **COMMITMENTS AND CONTINGENCIES**

#### **EQUITY:**

Aspiriant, LLC members' equity	3,283,791
Noncontrolling interests' equity	<u>1,782,396</u>

Total equity 5,066,187

TOTAL \$17,461,141

See notes to consolidated financial statements.

## **ASPIRIANT, LLC AND SUBSIDIARY**

### **CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010**

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#### REVENUES:

Investment management fees	\$ 16,368,197
Wealth planning services	5,187,348
Other	<u>378,863</u>
Total revenues	<u>21,934,408</u>

#### COST OF REVENUES:

Employee compensation, benefits, and taxes	11,909,860
Bad debt expenses	<u>54,633</u>
Total cost of revenues	<u>11,964,493</u>

#### GROSS PROFIT

9,969,915

#### OPERATING EXPENSES:

Employee compensation, benefits, and taxes	2,395,334
Office facilities	1,882,590
Depreciation and amortization	564,033
Professional fees	501,896
Travel and entertainment	372,107
Interest expense	236,944
Software	222,461
Charitable contributions	210,157
Sales and marketing	201,945
Insurance	183,923
Loss on disposal of property and equipment	14,601
Other operating expenses	<u>925,777</u>
Total operating expenses	<u>7,711,768</u>

#### NET INCOME FROM CONTINUING OPERATIONS

2,258,147

#### GAIN ON ACQUISITION

2,340,453

#### NET INCOME BEFORE DISCONTINUED OPERATIONS AND NONCONTROLLING INTERESTS

4,598,600

#### DISCONTINUED OPERATIONS:

Net income from discontinued operations	185,541
Gain on disposition of discontinued operations	<u>400,238</u>
Total income from discontinued operations	<u>585,779</u>

#### NET INCOME

5,184,379

#### LOSS FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO NONCONTROLLING INTEREST

52,583

#### INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO NONCONTROLLING INTEREST

(955,034)

#### INCOME ATTRIBUTABLE TO ASPIRIANT, LLC

\$ 4,281,928

See notes to consolidated financial statements.

## ASPIRIANT, LLC AND SUBSIDIARY

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010

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	Aspiriant Holdings Corporation	Aspiriant Holdings, LLC	Noncontrolling Interests	Total
EQUITY — December 31, 2009	\$ 152,320	\$ 518,974	\$ 52,583	\$ 723,877
Income from discontinued operations	59,349	29,710	96,482	185,541
Gain (loss) on disposition of discontinued operations	366,055	183,248	(149,065)	400,238
Contributions	73,347	36,717	802,021	912,085
Amortization of restricted units	-	-	25,341	25,341
Net income before discontinued operations and noncontrolling interests	2,428,072	1,215,494	955,034	4,598,600
Distributions	<u>(1,175,197)</u>	<u>(604,298)</u>	<u>-</u>	<u>(1,779,495)</u>
EQUITY — December 31, 2010	<u>\$ 1,903,946</u>	<u>\$ 1,379,845</u>	<u>\$ 1,782,396</u>	<u>\$ 5,066,187</u>

See notes to consolidated financial statements.

## ASPIRIANT, LLC AND SUBSIDIARY

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010

#### CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

Net income	\$ 5,184,379
Adjustments to reconcile net income to net cash provided from operating activities:	
Depreciation and amortization	564,033
Amortization of unrestricted units	25,341
Loss on disposal of property and equipment	14,601
Provision for bad debts	39,000
Gain on acquisition	(2,340,453)
(Increase) decrease in operating assets:	
Accounts receivable	(1,574,860)
Prepaid expenses	(110,906)
Other current assets	(37,768)
Due from related parties	66,509
Deposit and other assets	60,888
Increase (decrease) in operating liabilities:	
Accounts payable and accrued liabilities	266,796
Accrued vacation payable	129,581
Deferred revenue	(30,830)
Deferred rent and lease incentives	(26,225)
Net cash flows used in discontinued operations	(292,770)
Net cash provided from operating activities	<u>1,937,316</u>

#### CASH FLOWS USED IN INVESTING ACTIVITIES:

Acquisition of DIA's assets	(7,000,000)
Purchases of property and equipment	(243,867)
Net cash flows provided by discontinued operations	<u>11,861</u>
Net cash used in investing activities	<u>(7,232,006)</u>

#### CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES:

Proceeds from line of credit	9,044,815
Repayments on line of credit	(10,034,815)
Proceeds from term loans	8,400,000
Repayments of term loans	(157,746)
Principal payments on notes receivable from noncontrolling interests	11,646
Contributions	387,961
Distributions	(1,779,495)
Net cash flows used in discontinued operations	<u>(360,000)</u>
Net cash provided from financing activities	<u>5,512,366</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 217,676

CASH AND CASH EQUIVALENTS — Beginning of year 268,276

CASH AND CASH EQUIVALENTS — End of year \$ 485,952

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Interest paid during the year \$ 92,208

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES — Non-cash capital contribution by noncontrolling interest \$ 524,124

See notes to consolidated financial statements.

# ASPIRIANT, LLC AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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### 1. DESCRIPTION OF BUSINESS

**Organization** — Aspiriant, LLC, ("Aspiriant") a Delaware limited liability company, was originally incorporated as Kochis Fitz/Quintile, LLC on November 13, 2007. Effective January 1, 2008, Kochis Fitz, a California corporation, and Quintile Wealth Management, LLC ("QWM") each contributed certain assets and liabilities to Kochis Fitz/Quintile, LLC in exchange for membership interests. On May 19, 2008, Kochis Fitz/Quintile, LLC changed its name to Aspiriant, LLC. Kochis Fitz and QWM changed their names to Aspiriant Holdings Corporation ("AHC") and Aspiriant Holdings, LLC ("AHL"), respectively, on May 19, 2008. Aspiriant serves as the operating entity of AHC and AHL.

Under the operating agreement, AHC and AHL were issued 68% and 32% ownership interests in Aspiriant, LLC, respectively, in exchange for the contribution of certain assets and liabilities to Aspiriant, LLC. Concurrent with the contribution of certain assets and liabilities, 2,041 additional membership interests in Aspiriant, LLC were issued for cash to AHL, for further issuance to certain members of AHL. This resulted in AHC and AHL owning 66.6% and 33.4% of Aspiriant, LLC, respectively, as of December 31, 2010.

**Nature of Operations** — Aspiriant, LLC commenced operations on January 1, 2008. It provides a full suite of comprehensive wealth planning, implementation, and management services along with discretionary management of clients' investment portfolios.

At January 1, 2010, Aspiriant, LLC was a member of Empaxis Data Management, LLC ("EDM") in which it held a 60% voting interest with a corresponding 48% interest in its income or loss. EDM offers back-office services to independent investment advisors. These services include detailed data reconciliation over multiple custodians, trade settlement, billing, performance measurement, and other related services. In addition to these portfolio accounting services, EDM provides fund accounting services and information technology services, such as website development and network management.

On October 22, 2010, EDM redeemed Aspiriant's entire membership interest. As of December 31, 2010, Aspiriant held no interest in either the capital or profits of EDM. Consequently, EDM has been accounted for as discontinued operations in these consolidated financial statements (see Note 9).

On June 25, 2010, Aspiriant Acquisition Company, LLC was formed, and on July 12, 2010, changed its name to Aspiriant Investment Advisors, LLC ("AIA"). AIA was formed for the purpose of acquiring substantially all of the assets of Deloitte Investment Advisors, LLC, ("DIA") a transaction that closed on September 30, 2010. Consistent with Aspiriant's primary business, AIA provides financial planning services along with non-discretionary management of clients' investment portfolios. Concurrent with the acquisition, membership interests in AIA were issued to certain employees of AIA ("AIA Employee Owners"), in exchange for cash and/or notes, representing approximately 37% of AIA. For every three shares purchased, one restricted membership interests was granted to the AIA Employee Owners. The total number of restricted units issued represent approximately 12% of AIA. The restricted interests carry voting rights but do not share in allocable profit and loss until such time as the restrictions lapse on September 30, 2013.

Upon the closing of the transaction and as of December 31, 2010, the AIA Employee Owners collectively held a 49% voting interest in the capital of AIA and a 37% interest in the profits and losses.

Aspiriant, LLC and AIA are collectively referred to as the "Company" in these consolidated financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** — The consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

**Principles of Consolidation and Basis of Presentation** — These consolidated financial statements include the accounts of Aspiriant, LLC and its subsidiary, AIA. All significant intercompany balances and transactions have been eliminated in consolidation.

**Discontinued Operations** — The Company has presented EDM as a discontinued operation in its consolidated financial statements. The 2010 results from EDM's operations, net of taxes, are reflected in the accompanying consolidated financial statements as discontinued operations (see Note 9).

**Noncontrolling Interests** — Noncontrolling interests reflected in the consolidated balance sheet represent employee owners' interests in AIA. Income or loss attributable to non-controlling interests reflected in the consolidated statement of operations represents the employee owners' share of AIA's earnings.

**Use of Estimates** — The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** — The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

**Accounts Receivable** — Accounts receivables are uncollateralized customer obligations and are stated at the amount billed to the customer. Management performs ongoing credit evaluations of its clients and establishes an allowance for estimated losses to reduce accounts receivable to the amount management expects to collect. The allowance for doubtful accounts reflects management's analysis of receivables and the probability of collecting those accounts. Accounts receivable are charged against the allowance when the Company determines that payments will not be received.

**Property and Equipment** — Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Leasehold improvements are amortized on the straight-line basis over the shorter of the lease term or the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.



**Intangible Assets** — Intangible assets are recorded in the consolidated balance sheet. Intangible assets are amortized using a straight-line method over their estimated useful lives.

**Impairment** — The Company regularly evaluates its long-lived assets, including finite-lived intangible assets, for indicators of possible impairment. In such evaluation, the estimated future undiscounted cash flows generated by the assets are compared with the amount recorded for the asset to determine if its carrying value is not recoverable. If this review determines that the recorded value will not be recovered, the amount recorded for the asset is reduced to estimated fair value. The Company has not identified any such impairment losses as of December 31, 2010.

**Revenue Recognition** — Revenue from investment management services are generally recognized based on a percentage of the fair market value of customers' investment portfolios under management at the end of each quarter. Revenue from wealth planning services are recognized when services are rendered. Amounts billed in advance of the period in which services are rendered are recorded as deferred revenue.

**Stock-Based Compensation** — The Company adopted ASC No. 718-10, *Compensation – Stock Compensation* ("ASC No.718"). ASC No.718 requires the measurement and recognition of compensation expense in the statement of operations for costs related to all share-based awards, including restricted units, using a fair value based method. ASC No.718 requires companies to estimate the fair value of share-based payment awards on the date of grant. Compensation expense of \$25,341 related to the restricted units granted to noncontrolling interest is included in employee compensation, benefits, and taxes in the consolidated statement of operations.

**Rent Expense** — Minimum rental expenses are recognized over the term of the lease beginning with the earlier of the lease term or when possession of the property is taken from the landlord. When a lease contains a predetermined fixed escalation of the minimum rent, the related rent expense is recognized on a straight-line basis and the difference between the recognized rental expense and the amounts payable under the lease is recognized as deferred rent liability. Lease incentives are also included in deferred rent and lease incentives liability. Lease incentives are amortized as a reduction to office facilities expense in the consolidated statement of operations over the term of the lease.

**Income and Corporate Taxes** — Aspiriant, LLC and its subsidiary are limited liability companies ("LLCs") and accordingly, no federal taxes are payable or provided for by the Company. The members of the Company report their respective shares of taxable income or loss from the Company in determining their personal taxable income (loss). Most states recognize the "pass through" nature of LLCs; however if the Company operates in a state that does not, a provision for such income taxes payable is made in the consolidated financial statements.

**Fair Value of Financial Instruments** — The Company's consolidated financial instruments are cash and cash equivalents, accounts receivable, accounts payable, lines of credit, and long-term debt. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable, approximate their fair values based upon their short-term nature. The stated amount of the lines of credit approximates its fair value due to the market rate of interest that these instruments bear.

**Risks and Uncertainties** — The Company participates in a highly volatile industry that is characterized by rapid economic change, intense competitive pressure, and cyclical market patterns. The results of operations are affected by a wide variety of factors, including general economic conditions that could potentially result in a decline of average investment portfolio market values and investment management fee revenue. Based on the factors noted herein, the Company may experience substantial period-to-period fluctuations in future operating results.

**Subsequent Event** — The Company has evaluated subsequent events through March 30, 2011, the date on which the consolidated financial statements were available to be issued (see Notes 7 and 10).

### 3. ACQUISITION

On September 30, 2010, AIA acquired substantially all of the assets of DIA for a total consideration of \$7,000,000. Transaction costs associated with the acquisition totaled \$70,356 and are included in the consolidated statement of operations as either professional fees or other operating expenses. The total purchase price was allocated to the tangible and intangible assets acquired based upon their respective estimated fair value at the acquisition date with the excess value of the assets acquired allocated to gain on acquisition in the consolidated statement of operations as follows:

	<b>Value at September 30, 2010</b>
Tangible assets:	
Other assets	\$ 160,000
Prepaid expenses	138,979
Property and equipment	11,474
Intangible assets:	
Client relationships	7,850,000
Covenants not-to-compete	<u>1,180,000</u>
Total assets acquired	9,340,453
Total consideration paid	<u>(7,000,000)</u>
Gain on acquisition	<u>\$ 2,340,453</u>

The gain on acquisition was a result of two factors. Firstly, the seller had faced difficulties maintaining its client base in this business division because of restrictions imposed by regulatory constraints. Secondly, the acceptability of the buyer to both the employees and clients of DIA was more important to the seller than maximizing the proceeds from the sale. There were no liabilities assumed as part of the acquisition. Since the date of the acquisition, identifiable intangibles have been amortized to depreciation and amortization assuming an average useful life of 15 years. The results of AIA were included in the Company's consolidated financial statements effective June 25, 2010.

#### **4. ACCOUNTS RECEIVABLE**

Accounts receivable as of December 31, 2010, consist of the following:

Investment management fees	\$ 4,906,158
Wealth planning services	<u>506,306</u>
Total accounts receivable	5,412,464
Less allowance for doubtful accounts	<u>(226,571)</u>
Accounts receivable — net	<u>\$ 5,185,893</u>

Bad debt expense for the period ended December 31, 2010, amounted to \$54,633.

#### **5. INTANGIBLE ASSETS**

Intangible assets as of December 31, 2010, consist of the following:

Client relationships	\$ 7,850,000
Covenants not-to-compete	<u>1,180,000</u>
Total intangible assets	9,030,000
Less accumulated amortization	<u>(150,501)</u>
Intangible assets — net	<u>\$ 8,879,499</u>

Total amortization expense related to intangible assets for the year ended December 31, 2010 was \$150,501.

#### **6. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2010, consist of the following:

Computer equipment and software	\$ 837,773
Furniture and fixtures	409,256
Leasehold improvements	<u>1,500,065</u>
Total property and equipment	2,747,094
Less accumulated depreciation and amortization	<u>(1,191,220)</u>
Property and Equipment — net	<u>\$ 1,555,874</u>

Total depreciation and amortization expense for the year ended December 31, 2010 was \$413,532.

## **7. LINE OF CREDIT**

Line of credit as of December 31, 2010, consists of the following:

Revolving line of credit with a bank; maximum borrowings of \$2,500,000; collateralized by all assets and guaranteed by certain members of the Company; bearing interest at the greater of bank's prime rate or 4.5% per annum; interest payable monthly; maturity date of April 1, 2011. Covenants include a financial covenant requiring the Company to maintain a senior debt to tangible net worth ratio of not more than 2.25 to 1.0 at all times, evaluated quarterly. \$ 1,350,000

Interest expense for the above line of credit for the year ended December 31, 2010 was \$43,823.

On March 30, 2011, the line of credit was extended to June 1, 2011.

## 8. LONG-TERM DEBT

Long-term debt as of December 31, 2010 consists of the following:

Term loan with a bank; collateralized by all assets and guaranteed by certain members of the Company; bearing interest at the greater of the bank's prime rate or 4.5% per annum; principal and interest payable monthly; maturity date of March 1, 2016. Covenants include requiring the Company to maintain a debt-to-tangible net worth ratio of 2.25 to 1.0.	\$ 1,242,254
Term loan with an individual; collateralized by all assets and guaranteed by certain members of the Company; bearing interest at a fixed rate of 9.8% per annum; principal payable quarterly totaling \$700,000, \$1,000,000, and \$900,000 for the years ended December 31, 2011, 2012, and 2013, respectively, with a balloon payment of \$2,900,000 due at maturity; interest payable quarterly; maturity date of September 30, 2013; covenants include limitations on additional credit, capital expenditures, certain leasing transactions, and changes in capital structure. Subordinate to loan above and the Line of Credit.	5,500,000
Term loan with a broker dealer; collateralized by fee collection accounts maintained at such broker-dealer by the Company; guaranteed by certain members of the Company; bearing interest at a fixed rate of 9.8% per annum; principal and interest payable quarterly; interest beginning January 1, 2012; maturity date of October 18, 2016. Covenants include limitations on additional credit, maintenance of assets under management, and changes in control. Subordinate to loans above as well as Line of Credit.	<u>1,500,000</u>
Total	8,242,254
Less current portion	<u>(936,616)</u>
Total long-term portion of term loans	<u><u>\$ 7,305,638</u></u>

Interest expense for the above term loans for the year ended December 31, 2010 was \$193,121.

During the year ended December 31, 2010, the Company was in compliance with all covenant requirements stated in the loan agreements.

Future minimum payments required under the above term loans as of December 31, 2010 are as follows:

**Years Ending  
December 31**

2011	\$ 936,616
2012	1,536,616
2013	4,336,616
2014	536,616
2015	536,616
Thereafter	<u>359,174</u>
Total	<u>\$ 8,242,254</u>

## 9. DISCONTINUED OPERATIONS

On October 22, 2010, Aspiriant redeemed its entire interest in EDM. This resulted in EDM being owned 100% by its former minority shareholder, an individual. The Company received \$996 for its shares. Aspiriant was also released from its guarantee of EDM debt held at a commercial bank. The Company recognized a gain of \$549,303 from the sale primarily due to release of accumulated net losses.

Financial results of EDM from January 1, 2010 through October 22, 2010 are as follows:

**Statement of Operations**

Revenue	\$ 1,431,711
Expenses	<u>(1,246,170)</u>
Income from discontinued operations	185,541
Income attributable to noncontrolling interests	<u>(96,482)</u>
Net income attributable to Aspiriant, LLC and subsidiary	<u>\$ 89,059</u>
Gain on disposition of discontinued operations	\$ 400,238
Loss on disposition to noncontrolling interest	<u>149,065</u>
Gain on disposition attributable to Aspiriant, LLC and subsidiary	<u>\$ 549,303</u>

Income from discontinued operations include interest expense of \$14,373.

## 10. COMMITMENTS

**Operating Leases** — The Company leases office space in San Francisco and Los Angeles, California. These non-cancelable leases expire in June 2015 and December 2013, respectively. The San Francisco monthly rent is \$58,565, plus the pro rata share of any excess expenses as determined by the 2007 base year. The Los Angeles monthly rent is \$80,549. Total rent, taxes, and operating expenses paid under the current office operating leases for the year ended December 31, 2010 were approximately \$1,509,000. Total rent expenses for the year ended December 31, 2010 was \$1,688,524 and is included in office facilities in the consolidated statement of operations.

The Company has also entered into various operating lease agreements for office equipment. Total lease expenses and taxes, paid under these operating leases are approximately \$63,111 for the year ended December 31, 2010.

Future minimum rentals required under operating leases as of December 31, 2010 are as follows:

**Years Ending  
December 31**

2011	\$ 1,747,008
2012	1,806,264
2013	1,862,831
2014	794,020
2015	398,988
Thereafter	
Total	<u>\$ 6,609,111</u>

Subsequent to year-end, the Company entered into five office space rental agreements: Bloomfield Hills, Michigan; Boston, Massachusetts; Cincinnati, Ohio; New York, New York; and Minneapolis, Minnesota. These lease commitments expire on various dates ranging from February 28, 2012 to June 30, 2017.

## **11. EMPLOYEE BENEFIT PLAN**

The Company maintains a multi-employer discretionary 401(k) profit sharing plan, which covers all employees meeting minimum age and length of service requirements. The Company may make discretionary matching and profit sharing contributions to the plan. For the year ended December 31, 2010, the Company contributed \$227,680 of matching contributions and as of December 31, 2010 accrued \$37,955 in profit sharing contributions.

## **12. RELATED PARTY TRANSACTIONS**

Aspiriant, LLC provides management and administrative services to a law firm controlled by two members of AHL. For the year ended December 31, 2010, the law firm was charged approximately \$264,000 for such services and is included as other revenues in the consolidated statement of operations.

Aspiriant, LLC is reimbursed for administrative costs related to Advanced Capital Intelligence, LLC, ("ACI"), a sister company to Aspiriant, LLC that is owned by AHC and AHL in the same proportion as Aspiriant, LLC. These administrative costs are incurred in relation to the administration of the ACI funds, private investment vehicles to which ACI acts as the general partner or manager. For the year ended December 31, 2010, ACI paid \$105,000 in reimbursements for these services and is included as other revenues in the consolidated statement of operations.

AIA holds notes receivable from certain of the AIA Employee Owners. The notes were received by AIA as part of the capital contribution made upon the acquisition of DIA. The notes bear interest at the greater of 6% per annum or prime rate plus 2%. Principal payments are required beginning on October 1, 2012, and the notes mature on September 30, 2017. Interest income received by AIA on these notes for the year ended December 31, 2010 was approximately \$8,024 and is included as other revenues in the consolidated statement of operations.

### **13. CONTINGENCIES**

On December 18, 2009, a former client of Aspiriant, LLC filed a claim in Superior Court against the Company and three of its principals alleging negligence and breach of fiduciary duty. The case is ongoing as of December 31, 2010. The Company will vigorously defend itself and its principals in this lawsuit and strongly denies the allegations made in the complaint. The Company is unable to predict, at this time, the outcome or financial impact, if any, of this lawsuit.

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