

Firm Brochure - Part 2A of Form ADV

**MALLARD FINANCIAL PARTNERS INC**

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This brochure provides information about the qualifications and business practices of Mallard Financial Partners Inc. (MALLARD). If you have any questions about the contents of this brochure, please contact us at: 302-737-4546, or by email at: [pam@mallardfinancial.com](mailto:pam@mallardfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

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

April 15, 2014

# Material Changes

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## Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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's 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.

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## Material Changes since the Last Update

MALLARD now has Custody of client assets. Rule 206(4)-2 defines custody as "holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them." MALLARD's custody consists of online access to client funds or securities through website login credentials.

MALLARD is no longer affiliated with Mallard Advisors as of December 31, 2013.

Error Account balances are covered by the Sundry account or swept and donated to Delaware Financial Literacy Institute (Delaware Money School).

The Gold Level Financial Advisory Agreement has been adjusted to charge a flat 0.80% annual fee.

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## Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 302-737-4546 or by email at: [diana@mallardfinancial.com](mailto:diana@mallardfinancial.com).

Additional information about Mallard Financial Partners Inc. is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Mallard Financial Partners Inc. who are registered as Investment Advisor Representatives.

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# Advisory Business

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## Firm Description

Mallard Financial Partners Inc. ("MALLARD") was founded in August 2013. It succeeded Mallard Advisors, LLC, founded in 2003, which in turn succeeded Mallard Asset Management Corporation, which Paul Baumbach founded in 1996.

MALLARD provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and small businesses. We provide you with advice through consultations with you and may include: investment management, determination of financial objectives, retirement planning, tax planning, education planning, estate planning, identification of financial problems, cash flow management, and insurance review.

MALLARD is strictly a fee-only financial planning and investment management firm. We do not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. We are not affiliated with entities that sell financial products or securities. We do not accept commissions in any form. We do not accept finder's fees.

We typically consider your investment portfolio to be the **hub** of your financial life, and 'travel out the spokes of the wheel' to provide financial advice in retirement planning, tax planning, education planning, estate planning, cash flow planning, and insurance reviews.

We provide investment advice, and both recommend and execute recommendations. MALLARD does not act as a custodian of your assets. You always maintain asset control, through an independent custodian that holds your assets, and directly provides you with regular statements. MALLARD executes trades for you under a limited power of attorney with a third-party independent custodian.

We can provide you with advice on a one-time, hourly, or ongoing basis. We can provide this advice verbally, at a meeting, by phone, by email, and/or by written report. We typically communicate investment management by written reports, delivered quarterly or more frequently in some cases, and delivered by mail, email or portal.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by you on an as-needed basis. Conflicts of interest will be disclosed to you if/when they occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to you.

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## **Principal Owners**

Paul S Baumbach is the sole stockholder.

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## **Types of Advisory Services**

MALLARD provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; and furnishes investment advice through consultations.

MALLARD also provides personalized financial planning to clients including but not limited to retirement planning, tax planning, investment planning, education planning, estate planning, and insurance planning.

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## **Tailored Relationships**

We document, within a formal Investment Policy Statement, the goals and objectives for each ongoing investment management client. You may impose restrictions on investing in certain securities or types of securities.

We are forbidden from assigning our agreement with you to another firm without your consent.

# **Types of Agreements**

The following agreements define the typical client relationships.

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## **Platinum Financial Advisory Agreement**

Most clients choose to have MALLARD manage their assets in order to obtain ongoing in-depth investment management and financial planning. The Platinum level of service provides you with tax- and cost-efficient investing, asset allocation that is matched to your return/risk goals, quarterly reporting, including a Market Review and Outlook, the creation of an Investment Policy Statement customized to your needs, and ongoing financial planning services.

Platinum level of service includes expert advice regarding individual stocks and bonds, mutual funds, exchange-traded funds, options, preferred stocks, etc., in-depth quarterly reports, the incorporation of multiple custodians, and regular reviews encompassing other areas of financial planning, which are pertinent to you. We also offer to work with your other advisors (attorneys, accountants, etc.).

Platinum fees are calculated as a percentage of Assets Under Management (AUM). The fee is calculated at the end of the quarter, based on the AUM at the end of the quarter. When your entire portfolio is comprised exclusively of mutual funds and variable annuities, we reduce fees for Platinum accounts by 10% from the level listed below. The minimum quarterly fee for a Platinum account is \$1,000. Limited exceptions to this schedule are made in unusual

circumstances. Current client relationships may exist where the fees and services are higher or lower than the fee schedule below.

	<b>Platinum</b>
First \$1,000,000	1.00%
Next \$2,000,000	0.80%
Next \$3,000,000	0.60%
Next \$4,000,000	0.40%
Amount > \$10 million	0.25%

Our Financial Advisory Agreement is an ongoing agreement, and periodic adjustments are required. You or MALLARD may terminate an Agreement by written notice. At termination, we will bill a last fee on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

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### **Gold Financial Advisory Agreement**

Most clients choose to have MALLARD manage their assets to obtain ongoing in-depth investment management and financial planning. The Gold level of service provides tax- and cost-efficient investing, asset allocation that is matched to your return/risk goals, quarterly reporting, including a Market Review, the creation of an Investment Policy Statement customized to your needs, and ongoing financial planning services.

Gold level of service is designed for those with investment management and financial planning needs more modest than provided at the Platinum level, coupled with a slightly lower cost. Gold level of service is well-suited when an investment portfolio is \$200,000 or greater.

For a *Gold Level Investment Advisory Agreement* fee we charge an annual fee of 0.80%. Gold fees are calculated as a percentage of Assets Under Management (AUM). The fee is calculated at the end of the quarter, based on the AUM at the end of the quarter. The minimum quarterly for a Gold account is \$400. Limited exceptions to this schedule are made in unusual circumstances. Current client relationships may exist where the fees and services are higher or lower than the fee schedule on the next page.

Our Financial Advisory Agreement is an ongoing agreement, and periodic adjustments are required. You or MALLARD may terminate an Agreement by written notice. At termination, we will bill a last fee on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.



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## **RetirementGPS Investment Advisory Agreement**

A *RetirementGPS Investment Advisory Agreement* may be executed when financial planning is **not** required. This enables you to obtain our professional investment management for a lower cost, and for smaller portfolio sizes (typically \$50,000 or more). For a *RetirementGPS Investment Advisory Agreement* we charge an annual fee of 0.60%. Fees are calculated as a percentage of Assets Under Management (AUM), calculated at the end of the quarter, based on the AUM at the end of the quarter.

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## **Hourly/Project Planning Engagements**

MALLARD provides hourly planning services if you need advice on a limited scope of work. The hourly rate for limited scope engagements typically range from \$150 to \$250, depending on the complexity and the staff member(s) involved. Alternatively, engagements of this type can be structured as a project, with a set, flat fee. The fee could range from \$150 to several thousand dollars, but typically ranges from \$750 to \$2,500. The engagement will describe what meeting(s) are included and what analysis/deliverable is included. Typically, the fee is due at the conclusion of the project.

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## **Investment Management**

Assets are often invested in no-load or load-waived mutual funds, exchange-traded funds, and closed-end funds, usually purchased/sold/held through a brokerage firm. All such funds charge you an investment management fee that is disclosed in the fund prospectus. Discount brokerage firms may charge you a transaction fee for the purchase and sale of some funds.

Stocks (both common and preferred) and bonds (corporate, government, municipal) may be purchased or sold through a brokerage account when appropriate. The brokerage firm typically charges a fee for stock and bond trades, with a commission for stocks and a mark-up for bonds.

Investments may also include: warrants, commercial paper, certificates of deposit, investment company securities (variable life insurance, variable annuities), options contracts, futures contracts, unit investment trusts, and interests in partnerships. Most of these investments have ongoing fees charged by the 'sponsoring organization.'

In certain situations, and only when suitable and necessary to help achieve your investment goals, MALLARD may place a portion of your portfolio in structured investments/structured notes whose performance is linked to stock, bond, and commodity indices.

Initial public offerings (IPOs) are not typically available through MALLARD. If you request IPO shares, MALLARD will determine if you are qualified for the specific IPO, and may request shares from the custodian of your account. The custodian will have its own policy for allotting IPO shares amongst customers who request them.

MALLARD does not receive any direct compensation from investment companies or brokerage firms or investment sponsors.

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### Termination of Agreement

You may terminate any of the aforementioned agreements at any time by notifying MALLARD in writing, and paying the rate to MALLARD for the time spent on the agreement prior to notification of termination. If you made an advance payment, MALLARD will refund to you any unearned portion of the advance payment.

MALLARD may terminate any of the aforementioned agreements with you at any time by notifying you in writing. If you made an advance payment, MALLARD will refund to you any unearned portion of the advance payment. If no pre-payment was made, MALLARD will issue to you a bill for the time spent on the agreement prior to notification of termination.

## Fees and Compensation

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### Description

MALLARD bases its fees on a percentage of assets under management, hourly charges, and fixed fees (not including subscription fees).

One-time financial projects/plans are priced according to the degree of complexity associated with the client's situation.

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### Fee Billing

Our financial advisory fees (Platinum, Gold, RetirementGPS) are billed quarterly, in *ARREARS*, meaning that we invoice you *AFTER* the three-month billing period has *ENDED*. Payment in full is expected upon invoice presentation. Fees are usually deducted from your designated account(s) to facilitate efficient billing. You must consent in advance to direct debiting of your investment account.

Fees for financial projects are typically due upon delivery of the financial project.

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### Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds, exchange-traded funds, stocks, bonds, etc. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

In situations in which multiple share classes exist for a mutual fund that MALLARD is considering for you, we strive to identify the best share class for you, considering both transaction fees and annual fees for that fund.

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## Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.50% per year for their services. These fees are in addition to the fees that you pay to MALLARD.

Performance figures quoted by mutual fund companies in various publications are after these mutual fund expense ratio fees have been deducted.

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## Past-Due Accounts and Termination of Agreement

MALLARD reserves the right to stop work on your account if it is more than 90 days overdue. In addition, we reserve the right to terminate any engagement where you have willfully concealed or have refused to provide pertinent information about financial situations when necessary and appropriate, in MALLARD's judgment, to providing you with proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

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## Conflicts of Interest

Being a fiduciary fee-only advisor does not eliminate all potential conflicts of interest. While we feel that our business model and fee structure significantly minimize the conflicts of interest, some remaining conflicts can exist. The following are examples (not necessarily a comprehensive list) of conflicts of interest under each of our service levels and how we minimize them:

1. **Project Planning** – Most projects are contracted with a fixed fee, to avoid the conflict of interest that is inherent in hourly planning (i.e. spending more time costs you more, and we could be tempted to spend more time than the project actually requires).
2. **Hourly Planning** – Some clients have sporadic financial planning needs, an hour here and there throughout the year. For these clients, we offer to work on an hourly basis. If we encounter an in-depth consideration that would involve significant time to research (which would increase our compensation), we would first contact you and ensure that you want us to proceed.
3. **Financial Advisory** – Our compensation is based on the amount of your assets which we have under management. This method of compensation creates conflicts in that our compensation may be enhanced in situations where you are depending on objective advice. These include any situations which would decrease or increase the assets we manage, such as taking out a mortgage rather than using cash, selecting a retirement pension versus a lump sum, using cash for paying off a mortgage, gifting to charities or children, recommendations to bring other assets, such as 401k accounts, under our management, etc.

To limit these conflicts of interest, we do the following:

- a. We regularly monitor times that our Financial Advisory clients ask us for advice that will directly affect our assets under management, and therefore our compensation.
- b. When we identify such situations, we immediately notify you that this is a conflict of interest, we strive to quantify the impact on our compensation of each alternative, we provide alternatives to our advice, and let you decide which alternative you prefer.

Our revenue is also increased or decreased by the market fluctuations determined predominately by economic factors beyond our control. Such market fluctuations do not actually reflect the value we add to investment management. To counter these disadvantages, we provide to you a comparison between benchmark performance and the performance of **your** account(s).

To be certain that you are aware of the fees we charge, our quarterly reports include a billing statement which details the dollar amount you are being charged, even though these amounts are typically withdrawn directly from your account.

## Performance-Based Fees

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### Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

MALLARD does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for an adviser to recommend an investment which carries too high a degree of risk to you.

## Types of Clients

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### Description

MALLARD generally provides investment advice to individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

### Account Minimums

For ongoing investment management, the minimum account size varies based on which level of service. The typical minimum level for Platinum clients is \$400,000, which equates to a minimum quarterly fee of \$1,000. The

minimum level for Gold clients is \$200,000, which equates to a minimum quarterly fee of \$400. The typical minimum level for RetirementGPS clients is \$50,000, which equates to a minimum quarterly fee of \$62.50. There are 'legacy' clients whose contracts contain lower minimum quarterly fees, and thus lower account minimums.

Depending upon circumstances, MALLARD may sign an *Hourly Agreement* with you if your assets have diminished significantly below the minimum annual fee for the previously contracted level of service.

MALLARD has the discretion to waive the account minimum, and is more likely to do so if you are expected to add additional funds to the accounts and thus bring the balance up to the minimum level within a reasonable time. Other exceptions could apply to employees of MALLARD and their relatives, or relatives of existing clients.

Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with assets under management greater than the minimum for that service level.

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

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### Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that we may use include Morningstar Office mutual fund, stock, closed-end fund, variable annuity, 529 account, and separate account information, S&P Advisor stock information, Zacks Research Wizard stock information, Advisor Intelligence, and the Internet.

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### Investment Strategies

The primary investment strategy used with client accounts is strategic asset allocation, which means that we focus on your portfolio's overall asset allocation (what proportion is invested in riskier stock-related investments, and what proportion is invested in safer cash/bond-related investments). We pay close attention to proper diversification within your bonds and within your stocks, taking market and economic outlooks into account. Gold and Platinum investment management client portfolios are managed in a tax-efficient manner. RetirementGPS accounts are not managed in a tax-efficient

manner—this service is best suited for retirement accounts, which are tax-deferred.

Moderation is an investment virtue. We recommend that a globally balanced approach be taken, within the limitations of your Investment Policy Statement, and that we follow this approach when it is easy and when it is hard. This means adding to stocks when they are falling (with no end in sight), and selling stocks when they seem to go nowhere but up. We feel that this improves the likelihood of you achieving your financial goals.

The investment strategy selected for you is based upon the objectives shared by you during consultations. Each client receives an Investment Policy Statement (IPS) that documents their objectives and their desired investment strategy. The IPS can be changed as circumstances change, and when this is the case, we would adjust the strategy we use for your portfolio accordingly. We aim to review and update your IPS no less frequently than every five years.

Beginning in 2009, we created a Firewall Investing approach for our clients, a strategy for partially protecting your portfolio during significant market downturns from further losses, but more importantly, protecting your portfolio during significant market downturns from financially fatal actions, such as selling stocks at low prices.

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## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange-rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of

return (i.e., interest rate). This primarily relates to fixed-income securities (bonds and bond funds).

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Investing involves risk of loss that clients should be prepared to bear. While Mallard will use its best judgment and good faith efforts in rendering services to you, not every investment decision or recommendation made by Mallard will be profitable. We do not warrant or guarantee any particular level of account performance, or that your Account will be profitable over time. **You** assume all market risk involved and understand that investment decisions are subject to various market, currency, economic, political and business risks.

## Disciplinary Information

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### Legal and Disciplinary

Neither the firm nor any of its employees have been involved in legal or disciplinary events related to past or present investment clients.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

MALLARD neither serves as, nor is registered as, a securities broker-dealer, a futures commission merchant, commodity pool operator or commodity trading advisor. MALLARD serves as a registered investment advisory firm.



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## Affiliations

MALLARD is a corporate member of the National Association of Personal Financial Advisors (NAPFA, [www.napfa.org](http://www.napfa.org)), the nation's leading organization of Fee-Only comprehensive financial planning professionals. NAPFA maintains a Find-an-Advisor search function that directs consumers to NAPFA firms and NAPFA planners. Paul Baumbach is a NAPFA Registered Financial Advisor, a status that, once attained, requires that Paul earn a minimum of 60 continuing education credits every two years.

Several of MALLARD's employees are CFP® certificants, which, once attained, require a minimum of 30 continuing education credits every two years. The Certified Financial Planner Board of Standards ([www.cfp.net](http://www.cfp.net)) maintains a CFP® Professional Search function that directs consumers to area CFP® certificants.

[www.bankrate.com](http://www.bankrate.com) includes a Find-a-CFP® search function that generates listings of CFP® practitioners.

Paul S Baumbach is a member of the CFA Institute ([www.cfainstitute.org](http://www.cfainstitute.org)), and the CFA Society of Philadelphia ([www.cfaphil.org](http://www.cfaphil.org)), which is a professional organization of investment professionals. The CFA Institute's mission is 'To lead the investment profession globally by setting the highest standards in ethics, education, and professional excellence.'

Susan E Lehnerd is a member of the Institute for Divorce Financial Analysts (IDFA), which provides lists of its CDFA™ certificants on its [www.institutedfa.com](http://www.institutedfa.com) website.

Pamela S Baumbach is a member of the Delaware Society of CPAs.

MALLARD has no arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

# Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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## Code of Ethics

The employees of MALLARD have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The Code of Ethics describes MALLARD's high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a



prohibition of rumor mongering, 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 Mallard's employees acknowledge the terms of the Code of Ethics annually, or as amended.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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### **Participation or Interest in Client Transactions**

MALLARD and its employees may buy or sell securities that are also held by our clients. Employees comply with the provisions of the *MALLARD Compliance Manual*. MALLARD monitors employee trades of individual stocks which may be held by our clients, to ensure that employees do not trade their shares 'ahead of' our clients.

Certain classes of securities, such as open-ended and exchange-traded mutual funds, are designated as exempt transactions, meaning employees may trade these without prior permission because such trades would not materially interfere with the best interest of MALLARD's clients.

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### **Personal Trading**

The Chief Compliance Officer of MALLARD is Pamela Baumbach. She reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and ensures that you receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets, or our clients.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

MALLARD does not have any affiliation with product sales firms. Specific custodian recommendations are made to our clients based on their need for such services. MALLARD recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

MALLARD recommends discount brokerage firms and trust companies (qualified custodians), such as TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC/NFA, TIAA CREF, and iShares. MALLARD is independent of all such brokerage firms and custodians, and all such firms are independent of MALLARD.

MALLARD DOES NOT receive fees or commissions from any of these arrangements.

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## Best Execution

MALLARD reviews the execution data from several custodians each year including the custodians recommended by MALLARD. The review is documented in the *MALLARD Compliance Manual*. Trading fees charged by the custodians are also reviewed on an annual basis. MALLARD does not receive **any** portion of the trading fees that our clients pay to these custodians.

Our clients are not obligated to effect transactions through any broker-dealer recommended by MALLARD. When recommending a broker-dealer, MALLARD will comply with its fiduciary duty to obtain best execution and with the Securities Exchange Act of 1934, and will take into account such relevant factors as:

- Price;
- The broker-dealer's facilities, reliability and financial responsibility;
- The ability of the broker-dealer to effect transactions, particularly with regard to such aspects as timing, order size and execution of order;
- The research and related brokerage services provided by such broker or dealer to MALLARD, notwithstanding that the account may not be the direct or exclusive beneficiary of such services; and
- Any other factors MALLARD considers to be relevant.

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## Soft Dollars

MALLARD does not receive any soft dollars (software maintenance credits) from any brokerage firm or custodian.

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## Order Aggregation

Most trades are mutual funds or exchange-traded funds, or are done on different days, where trade aggregation (combining the trades of the same security across multiple clients) does not garner any client benefit. Where the same exchange-traded security is being bought/sold at the same time for more than one client, we may use a 'block order' to ensure that each client receives the same execution price.

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## Error Account

In the event of an error in trading the situation is evaluated. The correcting action can be to:

- Leave the erroneous transaction in the client's account – this is only done if the result is in the client's favor and considered significant.
- Reverse the transaction – the transaction is reversed in the client's account and moved to the company's "Error Account".

Once in the Error Account, a cover trade (exact opposite trade) is made to eliminate the holding. If the difference in the erroneous transaction and the

cover trade is negative, the deficit is covered from MALLARD's Sundry account. If the difference is positive, the balance is swept monthly by TD Ameritrade and the funds are donated to the Delaware Financial Literacy Institute (Delaware Money School).

## Review of Accounts

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### Periodic Reviews

Account reviews are performed for all Platinum and Gold Financial Advisory clients' accounts at least quarterly by Paul Baumbach, Director of Investments. The Supplemental Brochure (Form ADV Part 2B) with his credentials is provided on page 19.

Account reviews are performed more frequently when market conditions or client circumstances dictate. These reviews are done by Paul Baumbach, Director of Investments, Susan Lehnerd, Director of Financial Planning or James Mink, Advisor.

RetirementGPS clients' accounts are also reviewed quarterly, and investment changes are made quarterly when warranted. These reviews are performed by Paul Baumbach, Director of Investments. (Mallard only provides written portfolio reviews to RetirementGPS clients at least once per year).

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### Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### Regular Reports

Account reviewers are members of the firm's Investment Committee. Paul Baumbach chairs the Investment Committee. The committee considers your current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Ongoing clients receive periodic communications on at least an annual basis. Platinum *Financial Advisory* clients, and Gold *Financial Advisory* clients receive written quarterly updates. RetirementGPS *Financial Advisory* clients receive written updates at least annually. The written updates may include performance reports (covering the period since the last report, and since inception), a consolidated portfolio statement, and a consolidated portfolio analysis. Written updates to Platinum and Gold clients typically include a recommendation of investment changes to be made.

# Client Referrals and Other Compensation

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## Incoming Referrals

MALLARD has been fortunate to receive many client referrals over the years. Referrals come from current clients, estate planning attorneys, accountants, employees, personal friends of employees, and other similar sources. The firm does not compensate referring parties for these referrals.

## Referrals Out

MALLARD does not accept referral fees or any form of remuneration from other professionals when MALLARD refers a prospect or client to them. This referral is warranted when a more specialized professional is required.

## Other Compensation

MALLARD may receive from clients' custodian firms certain investment research products and/or services which assist us in our investment process for you. These products/services can include electronic interfaces to connect MALLARD's computers and the custodian's, discounted rates for industry conferences held by the custodian, rates negotiated lower by the custodian for research services from third parties (such as Morningstar).

MALLARD employees may receive a meal from a representative of a custodian or investment company. Such meals should not exceed a reasonable level (\$75 in most locations, \$100 in a major metropolitan area).

MALLARD employees may receive 'trinkets' from a representative of a custodian or investment company. Examples could be pens, a business card holder, a calendar, golf balls, etc., typically with promotional material on them. Such items should not exceed a reasonable level (\$50 in most cases).

Our selection of custodians and investment firms for your portfolio is not affected by these nominal benefits.

# Custody

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## Account Statements

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. In some cases, MALLARD may request that the custodian provide statements to the client directly by email, rather than through the mail.

MALLARD urges all clients to carefully review such statements and compare such official custodial records to any statements that MALLARD may provide to the client. MALLARD may also provide clients with periodic reports on client's account. These reports may vary from custodial statements based on

accounting procedures, reporting dates, or valuation methodologies of certain securities.

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### Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by MALLARD.

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### Net-Worth Statements

The client may infrequently be provided with net-worth statements. These statements may contain approximations that **the client** provided, and are therefore **not** intended to be viewed as precise/verified by MALLARD.

## Investment Discretion

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### Discretionary Authority for Trading

For Financial Advisory clients, MALLARD accepts discretionary authority to manage their investment accounts. MALLARD has the authority to determine, without obtaining your specific consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, in the rare situations that the client has not granted a blanket trading authorization, MALLARD consults with them prior to each trade to obtain their concurrence. The level of discretion and notification is maintained in the Investment Policy Statement.

The client approves the custodian to be used and the commission rates paid to the custodian. MALLARD does not receive any portion of the transaction fees or commissions paid by you to the custodian for any trades. These fees are generally considered discounted from customary retail commission rates.

Discretionary trading authority allows MALLARD to make trades in the clients' accounts on their behalf so that MALLARD may promptly implement the investment policy that you have approved in writing.

For Project clients, MALLARD rarely accepts discretionary authority to manage your investment accounts, and execution of trades with which the client concurs are their responsibility.

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### Limited Power of Attorney

A limited power of attorney is used to convey trading authorization. The client signs a limited power of attorney so that MALLARD may execute the trades that MALLARD recommends.

# Voting Client Securities

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## Proxy Votes

When the client requests it, MALLARD votes proxies for securities over which MALLARD maintains discretionary authority, consistent with MALLARD's proxy voting policy. MALLARD provides the client with a copy of their proxy voting policy when the client is considering whether to authorize MALLARD to vote the proxies. If a conflict of interest exists, MALLARD will disclose it to the clients.

# Financial Information

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## Financial Condition

MALLARD does not have any financial impairment that will preclude it from meeting contractual commitments to clients. MALLARD has not been the subject of a bankruptcy proceeding.

A balance sheet is not required to be provided because MALLARD does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## Brochure Supplement (Part 2B of Form ADV)

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### Education and Business Standards

MALLARD requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, CDFA, CPA or IACCP. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management. MALLARD aims to give each employee responsibilities that are suitable, given that employee's education and experience.

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### Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planner™ (CFP®): CERTIFIED FINANCIAL PLANNER™ are licensed by the CFP Board of Standards, Inc. to use the CFP® mark. CFP® certification requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless a CFA is upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by the CFA's sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

Certified Divorce Financial Analyst (CDFA™): Certified Divorce Financial Analysts are licensed by the Institute for Divorce Financial Analysts™ ([www.institutedfa.com](http://www.institutedfa.com)). CDFA enrollment requirements:

- Successful completion of the four-part Modules and related examination. The fourth Module is a comprehensive Case Study,
- CDFA™ professionals must have a minimum of two years experience in a financial or legal capacity prior to earning the designation,
- CDFA™ practitioners must abide by the strict IDFA™ Code of Ethics and Professional Responsibility, and must complete a minimum of twenty hours of continuing education every two years in the field of divorce.

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**Paul S Baumbach, CFA, CFP®, ChFC**

Born April 11, 1962

Educational Background:

- University of Delaware, BS in Computer Science (1983)
- Villanova University, MS in Computer Science (1988)

Business Experience:

- 1982 to 1988              Burroughs Corporation/Unisys Corporation
- 1988 to 1992            University Computer Sciences Corporation
- 1993 to 1997            RKM Associates/RKM Advisors
- 1996 to present        Mallard Asset Management Corp/Mallard Advisors LLC/Mallard Financial Partners Inc.

Disciplinary Information:      None

Other Business Activities:      State of Delaware, State Representative

Additional Compensation:      Standard salary for State Representative.

Supervision:

Paul Baumbach is the company founder, and is not supervised.

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**Pamela S Baumbach, CFP®**

Born September 23, 1963

Educational Background:

- University of Delaware, BS in Accounting (1985)



- University of Delaware, Certificate in Financial Planning (2009)

Business Experience:

- 1985 to 1986 Maulo, Delaney CPAs
- 1986 to 1987 Helmsley Greenfield Co
- 1987 to 1988 Acorn Development Corp
- 1988 to 1989 The Rouse Company
- 1993 to 1994 Stoltz Management Company
- 1995 to 1997 Packaging Strategies
- 1997 to 2000 Eagle Eye Home Inspections
- 2000 to present Mallard Asset Management Corp/Mallard Advisors LLC/Mallard Financial Partners Inc.

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Pamela Baumbach is supervised by Paul Baumbach, Director of Investments. He reviews Pamela Baumbach's work through frequent office interactions as well as remote interactions. He also reviews Pamela Baumbach's activities through our client relationship management system.

Paul Baumbach's contact information:

302-737-4546

[paul@mallardfinancial.com](mailto:paul@mallardfinancial.com)

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**Susan E Lehnerd, CFP®, CDFATM**

Born November 9, 1963

Educational Background:

- Towson University, BS in Early Childhood/Elementary Education (1986)
- Loyola University Maryland, M.B.A. (1993)
- University of Delaware, Certificate in Financial Planning (2008)

Business Experience:

- 2002 to 2007 Community College of Baltimore County (Maryland)
- 2007 to present Mallard Advisors, LLC/Mallard Financial Partners Inc.

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Susan Lehnerd is supervised by Paul Baumbach, Director of Investments. He reviews Susan Lehnerd's work through frequent office interactions as well as remote interactions. He also reviews Susan Lehnerd's activities through our client relationship management system.

Paul Baumbach's contact information:

302-737-4546

[paul@mallardfinancial.com](mailto:paul@mallardfinancial.com)

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**James E Mink, Jr. (Ed), CFP®**

Date of birth April 8, 1948

Educational Background:

- Salisbury University, BS in Mathematics (1972)
- American Institute of Banking (1979)
- West Chester University (1988)
- University of Delaware, Certificate in Financial Planning (2009)

Business Experience:

- 1972 to 1973 Provident Mutual Life Insurance Co.
- 1973 to 1985 Wilmington Savings Fund Society
- 1985 to present Pension Management Co
- 1988 to 2011 Self-employed tax preparation
- 2008 to present Mallard Advisors, LLC/Mallard Financial Partners Inc.

Disciplinary Information: None

Other Business Activities:

As noted above, Ed works part-time for Pension Management Company, as a Senior IRA Consultant. MALLARD does no business this business, nor does it do business with MALLARD. Neither of these businesses make any referrals to the other business.

Additional Compensation:

As noted above, Ed works part-time for Pension Management Company, as a Senior IRA Consultant.

Supervision:

James E Mink, Jr. (Ed) is supervised by Susan Lehnerd, Director of Financial Planning. She reviews Ed's work through frequent office interactions as well as remote interactions. She also reviews Ed's activities through our client relationship management system.

Susan Lehnerd's contact information:

302-737-4546

susan@mallardfinancial.com <mailto:paul@mallardfinancial.com>

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