

**Item 1 – Cover Page**

**The Fiduciary Group  
Part 2A of Form ADV  
The Brochure**

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March 30, 2016

This brochure provides information about the qualifications and business practices of The Fiduciary Group, LLC d/b/a/ The Fiduciary Group (“TFG”). If you have any questions about the contents of this brochure, please contact TFG’s Chief Compliance Officer, Julia Butler, at 912-447-6870. 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 TFG is also available on the SEC’s website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

1. Alex Morris, CFA, MBA, joined The Fiduciary Group as a research analyst and member of the investment team in October of 2015. Allie Brown, CPA, formerly the Controller & Operations and Compliance Manager and a member of the Investment Committee, resigned from her position effective March 24, 2016. She and her husband have relocated to their home state of Indiana.
2. The section on fees for bill pay and administrative services has been revised as follows: “Bill pay services are available upon request for a fixed fee, starting at \$150 per quarter. The quoted quarterly fee may be higher, depending on the amount of work involved. In addition, an administrative fee may be charged on trust accounts. Depending on the amount of assets under management and the complexity of personal transactions, the amount of the quarterly fee for bill pay and other administrative services may be negotiated appropriately. All fees for administrative and bill pay services will be quoted in writing in advance and approved by the client before the services are rendered.”
3. Additional information about the investment strategies and TFG’s investment process was provided in the section entitled “Methods of Analysis, Investment Strategies, and Risk of Loss.” Additional information about TFG’s approach to aggregated trading was provided in the section entitled “Aggregated Trades.” Additional information about how securities are valued was provided in the section entitled “Valuation of Securities.”

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## Item 4 - Advisory Business

The Fiduciary Group, LLC (CRD #221530), succeeded to the advisory business of its predecessor Fiduciary Services Corporation (CRD #104731 / SEC # 801-9822), and continues to do business under the name of The Fiduciary Group (“TFG”). The advisory services and management of TFG remain the same, and TFG continues the advisory business of the predecessor firm in all respects.

TFG Partners, LLC, the Management Company, has the discretion and control in all matters related to management and operations of TFG. TFG Partners provides management, supervision, oversight and operational support services to TFG. The primary management team of TFG Partners includes the following individuals who are executive officers of, or hold a senior position with, TFG: Malcolm L. Butler, President and CEO; Joel P. Goodman Chief Investment Officer; and Scott B. McGhie, Director of Research and Portfolio Management.

The successor Adviser reflects new ownership by Focus Operating, LLC which is a wholly-owned subsidiary of Focus Financial Partners, LLC, a Delaware limited liability company (“Focus”), [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

TFG, was originally founded in 1970, and prior to the succession was owned and managed by Malcolm L. Butler, President of TFG, Joel P. Goodman, Chief Investment Officer, and Scott B. McGhie, Director of Research and Portfolio Management.

As of December 31, 2015, TFG managed \$671,609,726 in assets on behalf of approximately 469 clients and 1135 separate accounts, of which \$42,394,362 was managed on a discretionary basis.

TFG primarily provides customized investment management services to high-net-worth individuals, trusts, estates, pension and profit sharing plans, and other legal entities. These accounts are managed as separately managed accounts. TFG also serves as a fiduciary investment advisor under ERISA Section 3(38) to participant-directed 401(k) Profit Sharing Plans. The principals of TFG also serve in their individual capacity as Trustees of trusts and Executors of wills. In addition, TFG offers fee-based financial planning services.

### Separately Managed Accounts

Ongoing investment supervisory activities for Separately Managed Accounts include the rendering of investment advice and counseling; investment management; asset allocation; selection and discretionary trading of equities, fixed income, and other instruments; and active portfolio management and review. TFG works with each client to establish an appropriate investment policy statement (IPS) based on the client’s objectives, unique circumstances, time horizon, and risk tolerance. Clients can impose reasonable restrictions on TFG’s management of their accounts. TFG generally invests client assets in domestic and international stocks, bonds, mutual funds, and exchange traded funds (“ETFs”).

### Participant-Directed 401(k) Plans

In performing fiduciary advisory services for participant-directed 401(k) plans, The Fiduciary Group is a fiduciary and a Section 3(38) Investment Manager under ERISA. Fiduciary advisory services for 401(k) plans include:

1. Discretionary authority to select, monitor, remove, and replace the investment alternatives available to Plan participants under the terms of the Plan. TFG screens mutual funds using a proprietary filtering process based on generally accepted investment theories.
2. Discretionary authority to develop and amend a formal written Investment Policy Statement (IPS), which establishes the specific standards and processes for investment operations of the Plan.
3. Construction and management of asset-allocation model portfolios from which participants may choose. These asset allocation model portfolios utilize the underlying investment options made available to Plan participants. Models are constructed to provide each of the following six strategies: Conservative, Moderate Conservative, Moderate, Moderate Growth, Growth, and Aggressive Growth. The allocation of asset classes within each Model Portfolio is based on generally accepted investment theories.

The Fiduciary Group does not provide fiduciary investment advisory services to participants at a participant level, only at the Plan level. However, TFG provides investment education to participants so that participants may choose an allocation strategy or construct a portfolio from the available mutual funds that meets their needs, objectives, time horizon, and risk tolerance.

### Trustee and Executor Appointments

When requested, the principals of The Fiduciary Group serve as Trustee (in the case of general or specific purpose trusts) or Executor (in the case of Estates). All fiduciary appointments are held by the firm's principals individually, for a separately contracted trustee's or executor's fee. When serving as Executor, the individual advisor performs all acts required under the terms of the Will including probating the Will; identifying, gathering, managing, and protecting probate assets; determining personal and estate tax liabilities; and distributing the estate and making final settlement among all beneficiaries according to the Will or special instructions of the deceased.

When serving as Trustee, the individual advisor performs all duties required under the terms of the special or general purpose trust. The Trustee manages the trust assets for the beneficiaries according to the terms the grantor has set forth in the trust agreement. The Trustee must use his or her best judgment to carry out the grantor's directions and prudently manage the trust assets for the beneficiary. The Trustee also performs all administrative duties involved in managing the trust, including distribution of income to the beneficiary, trust accounting and reporting, and tax filing. As Trustee, the individual advisor contracts with The Fiduciary Group to serve as discretionary investment manager for the trust assets.

Malcolm Butler currently serves as the Chief Trust Officer of The Fiduciary Group.

### Financial Planning Services

TFG offers a broad array of financial planning services to assist clients in planning for and monitoring their progress toward achieving specific financial goals such as saving for retirement, funding a child's education, managing risk through insurance, or managing withdrawals in retirement to ensure that assets last for the client's lifetime. The plans are offered in modules so that clients may focus on their particular needs and priorities. All plans are accessible to clients for one full year after plan completion through a password protected client portal, which allows clients to review, monitor, update, and modify the plan as circumstances change. TFG also offers annual updates to the plans for reduced fees. TFG does not sell any products or receive any financial incentives tied to recommendations.

### **Item 5 - Fees and Compensation**

TFG charges an annual investment management fee based on the schedules listed below. Once a fee schedule has been signed by a client, it is not changed without prior notice to the client.

Compensation for investment advisory services is payable only after service is provided on a quarterly basis, or semi-quarterly basis in the case of 401(k) plans. No advisory fees are payable in advance. All accounts are terminable at will at any time and fees are payable only for work performed prior to termination. Clients receive a statement each quarter, or semi-quarterly in the case of sponsors of 401(k) plans, itemizing fees and explaining the calculation. For most clients, fees are deducted automatically from assets under management after the end of each quarter or semi-quarter, simultaneous with the issuance of the fee statement. Fees for financial planning are quoted in advance, with half of the agreed amount paid at the time services are contracted, and the balance due at the time the plan is delivered.

TFG does not have any arrangements, oral or in writing, where it is paid in cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients. TFG is not directly or indirectly compensated by any person for client referrals.

### Separate Account Management Fee Schedule

The Investment Management services fee for both discretionary and non-discretionary accounts is an annual rate of 1.00% of the value of the account for assets up to \$1 million, and a tiered rate for balances over \$1 million as provided below, billed on a quarterly basis. Each account is revalued on the last day of each quarter and the account is billed for one-quarter of the total annual fee.

The Fiduciary Group Standard Fee Schedule						
		Tier Rate and Tier End Fees			Cumulative at Tier End	
Tier Begin	Tier End	% Rate	\$ Rate		% Rate	\$ Rate
\$ -	\$1,000,000	1.00%	\$10,000		1.00%	\$10,000
\$1,000,000	\$3,000,000	0.90%	\$18,000		0.93%	\$28,000
\$3,000,000	\$5,000,000	0.70%	\$14,000		0.84%	\$42,000
\$5,000,000	\$10,000,000	0.60%	\$30,000		0.72%	\$72,000
\$10,000,000	\$20,000,000	0.50%	\$50,000		0.61%	\$122,000

\$20,000,000	\$40,000,000	0.40%	\$80,000		0.51%	\$202,000
\$40,000,000	\$60,000,000	0.35%	\$70,000		0.45%	\$272,000
\$60,000,000	\$80,000,000	0.30%	\$60,000		0.42%	\$332,000
\$80,000,000	\$100,000,000	0.25%	\$50,000		0.38%	\$382,000
\$100,000,000	\$120,000,000	0.20%	\$40,000		0.35%	\$422,000

In certain circumstances, such as concentrated holdings with low cost basis (which will not be traded frequently), the nature of the particular duties involved with account management, length or nature of client relationship, or other unique factors, fees may be negotiated appropriately.

Bill pay services are available upon request for a fixed fee, starting at \$150 per quarter. The quoted quarterly fee may be higher, depending on the amount of work involved. In addition, an administrative fee may be charged on trust accounts. Depending on the amount of assets under management and the complexity of personal transactions, the amount of the quarterly fee for bill pay and other administrative services may be negotiated appropriately. All fees for administrative and bill pay services will be quoted in writing in advance and approved by the client before the services are rendered.

In rare instances, due to the particular nature of the work requested by the client in non-managed or non-discretionary accounts, we may perform analyses and offer investment consultation for a fixed fee.

TFG charges fees quarterly in arrears based on the account value at the end of the prior quarter. Most clients authorize TFG to deduct fees automatically from their brokerage accounts, but clients may request that TFG send quarterly invoices to be paid by check.

In all accounts, for marketable securities, the prices provided by custodians or, if unavailable, by publically available sources, are used for client reporting and fee billing. While we make every effort to obtain balances directly from the custodian of clients' assets, for certain accounts with outside brokers or custodians, TFG may request that the client regularly provide TFG with copies of client's account statements. In some instances, precise account balances are unavailable to TFG on a timely basis. Our billing in those situations is therefore based on the most current information available to TFG when fees are calculated. TFG does not independently value any private securities held in client accounts. The financial information provided on a regular reporting basis by the issuer of private securities will be used as the basis for client reporting and billing. This valuation is determined independently of TFG.

The fees charged by TFG are separate and distinct from any fees which may be charged by mutual funds which could be recommended. A description of those fees and expenses is available in each fund's prospectus. TFG does not receive any commissions from, or share revenues with, any mutual fund managers. TFG's fees are also separate from any custodial or trading fees.

Unless otherwise agreed, for accounts opened after January 1, 2015, the minimum annual fee is \$5000 per client relationship (\$1,250 per quarter).

#### Participant Directed 401(k) Plan Fee Schedule

In the 401(k) plans for which we provide plan-level fiduciary investment management, the maximum fee is 0.80% for plans with less than \$1,000,000 in assets. The fee as a percentage of assets reduces as plan assets increase, per the following schedule:

<b>When Plan Assets Reach</b>	<b>Rate</b>
\$0 - \$999,999	0.800%
\$1,000,000 - \$1,499,999	0.750%
\$1,500,000 - \$1,999,999	0.700%
\$2,000,000 - \$2,499,999	0.650%
\$2,500,000 - \$2,999,999	0.600%
\$3,000,000 - \$3,499,999	0.550%
\$3,500,000 - \$4,499,999	0.500%
\$4,500,000 - \$5,499,999	0.450%
\$5,500,000 - \$6,499,999	0.400%
\$6,500,000 - \$9,999,999	0.350%
\$10,000,000 - \$14,999,999	0.300%
\$15,000,000 - \$19,999,999	0.250%
\$20,000,000 +	0.200%

In addition to TFG's investment management fees, 401(k) plans and plan participants may bear record keeping, administrative, mutual fund management, and custodial fees, which are charged separately by other service providers in the 401(k) platform, as itemized in the fee disclosures. A description of mutual fund management fees and expenses is available in each fund's prospectus. TFG does not receive any commissions from, or share revenues with, mutual fund managers or any other service providers in the 401(k) platform. Commissions which are part of the mutual fund managers' expense are rebated to plan participants to offset plan expenses.

#### Executor Fee Schedule

Executor fees are payable to the individual named Executor. On all assets includable in the gross estate for federal estate tax purposes, the following maximum rates shall apply:

- 2.0% on the first \$ 400,000
- 1.0% on the next \$ 600,000
- .50% on all over \$1,000,000

Valuation of assets is based upon amounts as finally determined for Federal Estate Tax purposes. Where Federal Estate Tax is not applicable, the valuation shall be fair market value at date of death.

#### Trustee Fee Schedule

The annual fee for Trustee services (payable to the individual named Trustee) is 0.25% over and above the Investment Management services fee per the tiered rate schedule of The Fiduciary

Group, and includes all normal and customary duties of the Trustee associated with administering and reporting on the trust account according to the terms of the trust. In addition, a trust administration fee may be applicable. The minimum annual fee for trust services is \$1250. All fees are billed quarterly. When special services are required for either estate or trust administration, appropriate reasonable additional charges will apply. Services not contemplated in our basic fee rates include, but are not limited to, litigation, operation or supervision of a going business, valuation, and other special services relating to assets with limited marketability and/or not passing under the Wills or Trust document. If out of town travel is required, the account will be billed for reasonable travel and out-of-pocket costs. A 1% fee is charged on trust termination.

#### Financial Planning Services Fee Schedule

Fees for financial services are quoted in advance. Half of the agreed amount is due upon commencement of the plan, and half is due upon completion of the plan.

Retirement Analysis Fee: \$500 - \$1,000 depending on complexity (fixed estimate provided in advance of work)

Education Analysis Fee: \$450

Insurance Analysis Fee: \$450

Risk Profile Analysis Fee: Complimentary for clients and prospective clients of TFG

Budget Analysis Fee: \$300

Basic Estate Planning Analysis Fee: \$450

Comprehensive Financial Analysis Fee: \$1,500 – \$3000 depending on complexity (fixed estimate provided in advance of work); customized plans for highly complex planning needs are available for a quoted fee based on estimate of work required.

### **Item 6 - Performance Based Fees and Side-by-Side Management**

TFG does not charge any performance fees.

Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to TFG.

### **Item 7 - Types of Clients**

TFG primarily provides discretionary investment management services to high-net-worth individuals, trusts, estates, pension and profit sharing plans, non-profit organizations, and other legal entities. These accounts are managed as separately managed accounts. TFG also serves as a fiduciary investment advisor under ERISA Section 3(38) to participant-directed 401(k) Profit Sharing Plans. The principals of TFG also serve in their individual capacity as Trustees of trusts and Executors of wills.



The average assets under management per consolidated household across all client relationships (including institutional accounts) as of December 31, 2015 was \$1.432 million. Unless otherwise agreed, as of January 1, 2015, TFG's minimum entry asset size for separate account management is \$500,000. For 401(k) plans, the minimum entry asset level is \$1,000,000.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

### Method of Analysis and Investment Strategies

The Investment Team--comprised of TFG's Chief Investment Officer, Joel Goodman, Director of Research and Portfolio Management, Scott McGhie, and Research Analysts Zach Riddle and Alex Morris--collectively conducts fundamental analysis on all securities recommended for client accounts. This analysis varies depending on the security in question. Sources for information include Bloomberg, Zephyr, and Morningstar, among other global data or research providers; annual reports, prospectuses, and filings with the Securities and Exchange Commission; and financial newspapers, magazines, and on-line news sources. For stocks and bonds the analysis generally includes a review of:

- The issuer's financial statements, including the balance sheet, income statement, cash flow statement, as well as any material changes from historical norms;
- Prospects for the issuer's industry, as well as the issuer's competitive position within that industry;
- Valuation of the security; relative valuation to peer group; and historical valuation; and
- Any other factors considered relevant.

For mutual funds the analysis generally includes a review of:

- The fund's management team;
- The fund's historical risk and return characteristics;
- The fund's exposure to sectors and individual issuers;
- The fund's fee structure; and
- Any other factors considered relevant.

For ETF's the analysis generally includes a review of:

- The fund's historical risk and return characteristics;
- The fund's exposure to sectors and individual issuers;
- The fund's fee structure; and
- Any other factors considered relevant.

The Investment Team regularly shares the recommendations with TFG's Investment Committee led by the Chief Investment Officer. In addition to all members of the Investment Team, the Investment Committee also includes Malcolm Butler, President, and Julia Butler, Chief Operating & Compliance Officer and Director of 401(k) Advisory Services. The Investment Committee generally meets bi-weekly to discuss existing and prospective investments. Investments are evaluated independently, as well as in the context of clients' existing holdings and sector exposures.

TFG tends to follow four general investment strategies with corresponding asset allocation targets: Capital Preservation; Income with Growth; Growth with Income; and Growth of Principal. Based on an understanding of the client's risk tolerance, income needs, objectives, and time horizon, the advisors will agree on an overall Investment Policy Statement (IPS) which reflects one of those four strategies. The client's IPS is documented and entered into the portfolio management system.

The strategies are implemented in the clients' accounts using mutual funds, ETFs, and/ or individual securities. Accounts with less than \$500,000 in assets are generally invested in mutual funds and ETFs, and with few exceptions, conform to model portfolios for each of those strategies. Accounts with over \$500,000 in investment assets are more customized and generally utilize individual securities to fill the large cap allocation, may utilize individual bonds, and utilize mutual funds and ETFs to fill the satellite positions in international and emerging market securities, small and mid-cap markets, and some fixed income categories. We refer to these portfolios as "hybrid" portfolios due to the mix of individual securities and mutual funds/ ETFs. Though we seek overall consistency in allocation targets in all consolidated accounts with similar IPSs, individual holdings may vary depending on the timing of the investments, tax considerations, and client preferences.

The Investment Team trades all client accounts. The Investment Team seeks to sequence the review and trading of all accounts so as to be fair to all clients and ensure that no client or account is advantaged or disadvantaged over another. In general the Investment Team seeks to review and/or trade all model portfolios (typically accounts with less than \$500,000 in investment assets) at least annually or more frequently based on market conditions and/or individual client needs. The Investment Team seeks to review and/or trade all hybrid accounts quarterly. Simply because The Investment Team reviews an account does not mean that positions in the account will be traded. In addition, the advisor responsible for the client relationship reviews all client statements quarterly, before the statement is sent to the client, and checks to make sure that the overall portfolio allocation is in line with the client's IPS. The advisor notes any changes that need to be made in the account and instructs the Investment Team to implement the changes.

The Investment Team seeks to invest cash in new accounts over a time period that is appropriate given the size of the account, market dynamics, and the needs of the clients. Typically the period is 2 – 6 months. The Investment Team seeks to invest new cash deposits of existing clients within a reasonable time, typically within 4 weeks of receipt. If the new cash represents incremental deposits to the account of over 10%, the timing for investing may be extended to 8-12 weeks.

TFG primarily invests for relatively long time horizons. However, market developments could cause TFG to sell securities more quickly. On occasion, short term purchases (securities sold within a year) are used to implement investment strategies.

#### Risk of Loss – General

All investing involves a risk of loss, and the investment strategy offered by TFG could lose money over short or even long periods. Performance could be negatively impacted by a number of different market risks including, but not limited to, that the portfolio management techniques used by TFG may not produce the desired results. This could cause accounts to decline in value. In

addition, TFG may rely on information that turns out to be wrong. TFG selects investments based, in part, on information provided by issuers to regulators or made directly available to TFG by the issuers or other sources. TFG is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and could result in losses.

#### Potential Risks of Investing in Securities, Including Securities Purchased in Mutual Funds and ETFs

**Stock Market Risk** - Stock market risk is the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Investing in small- and medium-sized companies involves greater risk than is customarily associated with more established companies. Stocks of such companies may be subject to more volatility in price than larger company securities.

**Foreign Securities Risk** - Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency conversion; and pricing factors affecting investment in the securities of foreign businesses or governments.

**Interest Rate Risk** - Bonds also experience market risk as a result of changes in interest rates. The general rule is that if interest rates rise, bond prices will fall. The reverse is also true: if interest rates fall, bond prices will generally rise. A bond with a longer maturity (or a bond fund with a longer average maturity) will typically fluctuate more in price than a shorter term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

**Credit Risk** - Bonds and bond mutual funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, have limited credit risk, while securities issued or guaranteed by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk. Of course, bonds with lower credit ratings generally pay a higher level of income to investors.

**Liquidity Risk** - Liquidity risk exists when a particular security is difficult to trade. A mutual fund's investment in illiquid securities may reduce the returns of the mutual fund because the mutual fund may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets at all.

**Call Risk** - Many fixed income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are

low. Accordingly, holders of such callable securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund would reinvest the proceeds of the payoff at current interest rates, which would likely be lower than those paid on the security that was called.

**Objective/Style Risk** - All of the mutual funds are subject, in varying degrees, to objective/style risk, which is the possibility that returns from a specific type of security in which a mutual fund or manager invests will trail the returns of the overall market.

**U.S. Government Agency Securities Risk** - Securities issued by U.S. Government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. If a government-sponsored entity is unable to meet its obligations, the securities of the entity could be adversely impacted.

### **Item 9 - Disciplinary Information**

TFG and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

### **Item 10 - Other Financial Industry Activities and Affiliations**

TFG and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

Focus Operating, LLC and Focus Financial Partners, LLC

The Registrant is part of the Focus Financial Partners, LLC ("Focus") network. As such, The Fiduciary Group is a wholly-owned subsidiary of Focus Operating, LLC ("Focus Operating"), which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the "Focus Partners"). The Focus Partners provide wealth management, benefit and investment consulting services, serving individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds or limited liability companies as disclosed on their respective Form ADV, Schedule D. TFG and its employees do not have any business relationships with any of the Focus affiliates with respect to any TFG clients which involve the exchange of financial incentives or which otherwise create a conflict of interest. The ownership interest of Focus in TFG does not equate to operational control of TFG. Focus has entered into a perpetual management agreement with TFG Partners which delegates to the Management Company (the executive officers and senior managers of TFG) the power to direct the management and policies of TFG including day-to-day management and operations, the investments of clients, customer service policies and procedures, and prices, rates and charges.

### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

TFG has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires TFG and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. TFG's restrictions on personal securities trading apply to

employees, as well as employees' family members living in the same household. A copy of TFG's code of ethics is available upon request.

TFG's employees are generally permitted to trade alongside client accounts as long as they receive the average price that is applicable to clients and pay their share of any transaction costs. However, no employees are allowed to participate in partially filled orders until all clients' orders have been filled. The Chief Compliance Officer and Chief Investment Officer monitor employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

Preclearance from the Director of Research and/or the Chief Investment Officer, or a named designee, is required for any personal trades in reportable securities. TFG does not grant preclearance where it would appear that an employee's trading could disadvantage TFG's clients.

## **Item 12 - Brokerage Practices**

### **Schwab Advisor Services and Interactive Brokers**

For most clients, TFG recommends the establishment of brokerage accounts with Charles Schwab & Co., Inc., a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. As of January 2015, certain LLC clients' assets are held in custody on the Interactive Brokers Institutional platform.

#### *Products and Services Available to TFG from Schwab*

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like TFG. They provide TFG and its 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 TFG manage or administer clients' accounts, while others help TFG manage and grow its business. Schwab's support services generally are available on an unsolicited basis (TFG does not have to request them) and at no charge as long as TFG's clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If TFG's clients collectively have less than \$10 million in assets at Schwab, Schwab may charge TFG quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

#### *Services that Benefit Clients*

Schwab'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 Schwab include some to which TFG might not otherwise have access or that would require a significantly higher minimum initial investment by TFG's clients.

#### *Services that May Not Directly Benefit Clients*

Schwab also makes available other products and services that benefit TFG but may not directly benefit clients. These products and services assist TFG in managing and administering TFG's clients' accounts. They include investment research, both Schwab's own and that of third parties. TFG may use this research to service all or a substantial number of its clients' accounts, including

accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client 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 TFG's fees from TFG's clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

#### *Services that Generally Benefit Only TFG*

Schwab also offers other services intended to help TFG manage and further develop its 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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to TFG. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide TFG with other benefits, such as occasional business entertainment of TFG personnel.

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

The availability of these services from Schwab benefits TFG because TFG does not have to produce or purchase them. TFG does not have to pay for Schwab's services so long as TFG's 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 TFG committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give TFG an incentive to recommend that clients maintain accounts with Schwab, based on TFG's interest in receiving Schwab's services that benefit TFG's business rather than based on clients' interests in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. TFG believes, however, that its recommendation of Schwab as custodian and broker is in the best interests of clients. TFG's selection is primarily supported by the scope, quality, and price of Schwab's services. TFG has over \$500 million in client assets under management on the Schwab platform, well above Schwab's minimum asset level of \$10 million required to receive Schwab's services at no charge. Therefore we do not believe this presents a material conflict of interest.

#### Interactive Brokers Institutional Platform

Beginning in January 2015, TFG maintains custody of certain LLC clients' assets on the Interactive Brokers Institutional platform.

#### *Products and Services Available to TFG from Interactive Brokers*

Interactive Brokers for Institutions is Interactive Brokers' business serving independent investment advisory firms like TFG. They provide TFG and its clients with access to its institutional brokerage—trading, custody, reporting, and related services. Interactive Brokers also

makes available services to help TFG manage or administer clients' accounts. TFG is not required to maintain a minimum level of assets with Interactive Brokers in order use its platform. Following is a more detailed description of Interactive Brokers' support services:

#### *Services that Benefit Clients*

Interactive Brokers' services include access to a broad range of investment products, execution of securities transactions, and custody of client assets.

#### *Services that May Not Directly Benefit Clients*

Interactive Brokers also makes available other products and services that benefit TFG but may not directly benefit clients. These products and services assist TFG in managing and administering TFG's clients' accounts. Interactive Brokers makes available software and other technology that:

- Provide access to client 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 TFG's fees from TFG's clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

#### Directed Brokerage

Clients may have a pre-established relationship with a broker and they will instruct TFG to execute all transactions through that broker. In directing the use of a particular broker or dealer, clients may lose out on certain benefits that may otherwise be obtained and it should be understood that TFG will not have authority to obtain volume discounts. Consequently, if the client selects its own broker or dealer to execute transactions for the client's account, the client may forfeit more favorable commission and execution rates and more favorable execution than would be the case if it utilized the broker or dealer recommended by TFG. Clients who direct that trades be placed through a selected broker may also be disadvantaged as to the time the trades are placed, in that if a particular security is being bought or sold for multiple client accounts, TFG will typically place all of the trades for clients at Schwab before trades are placed through other brokers.

The assets of all 401(k) plans for which The Fiduciary Group provides fiduciary investment management are held in custody at Charles Schwab Trust Company. Record keeping and Third Party Administrative services are provided by The Retirement Plan Company or Sentinel Benefits.

#### The Selection of Trading Counterparties

TFG can typically trade accounts held at Schwab using other broker/dealers. However, Schwab charges clients trade-away fees that TFG believes outweigh any benefits from trading stocks, mutual funds, or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade, TFG solicits bids from several dealers and then executes the trade with the dealer that offers sufficient liquidity and the most favorable pricing.

For clients who elect to have their accounts held by firms other than Schwab, TFG's approach is generally to trade stocks, mutual funds, and ETFs with the chosen custodian, and to trade bonds with the dealer that offers sufficient liquidity and the most favorable pricing.

### Best Execution Reviews

On at least an annual basis TFG's Chief Compliance Officer and other senior executives evaluate the pricing and services offered by Schwab and other trading counterparties with those offered by other reputable firms. TFG has sought to make a good-faith determination that Schwab and other chosen trading counterparties provide clients with good services at competitive prices. Historically TFG has concluded that Schwab is as good as, or better than, the other firms that have been considered.

TFG has evaluated Interactive Brokers' best execution practices and believes Interactive Brokers offers competitive price execution and is an effective platform for certain LLC accounts.

### Aggregated Trades

Because our trades do not tend to move markets and we typically review and trade accounts individually, we do not customarily aggregate trades except when executing a block trade.

When executing a block trade, the individual managing the trade will allocate the securities across the accounts, considering account size, diversification, cash availability, and other factors, including, where appropriate, the value of having a round lot in the portfolio.

All clients participating in each aggregated order shall receive the average price. In rare instances where there is a material intraday movement we may use an average price for orders that were not originally aggregated.

Clients participating in a block trade receive the same average price and incur trading costs that are the same as would be paid if they were traded individually. Employees may be included side-by-side in bunched client trades.

TFG shall make every effort to formulate allocations on trade tickets prior to execution. If the entire order is filled, clients shall receive their portion of the allocation specified on the initial allocation.

In the event an order is "partially filled," the allocation shall be made in the best interests of all the clients in the order, taking into account all relevant factors, including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. Normally, TFG seeks to ensure that accounts will get a pro-rata allocation based on the initial allocation.

TFG will seek to complete any unfilled client orders on the next trading day. Employees are excluded from bunched trades whenever client orders are only partially filled.

### Client Referrals

TFG does not compensate Schwab or any other custodian or broker/dealer for referring client accounts.

### Soft Dollars

TFG does not engage in soft dollar arrangements.



### Trade Errors

TFG has implemented policies and procedures to ensure that the utmost care is taken in making and implementing investment decisions of behalf of client accounts. To the extent that any errors occur, they are to be (a) corrected as soon as practicable and in such a manner that the client incurs no loss, (b) reported to the CCO, and (c) scrutinized carefully with a view toward implementing procedures to prevent or reduce future errors, if necessary.

In the event of a trade error loss on Schwab:

- If the gain or loss is less than \$100, Schwab absorbs the gain or loss;
- If the loss is greater than \$100, TFG reimburses Schwab and will book the charge against its operating expenses;
- If the gain is greater than \$100, Schwab donates the gain to charity.

Interactive Brokers does not recognize trade errors. As such, TFG will reimburse the client directly for the loss resulting from the trade error, and a client will keep any gains resulting from the trade error.

### Valuation of Securities

To the extent possible, TFG will always rely on independent 3<sup>rd</sup> party pricing for publically traded, daily valued securities (primarily the broker and if pricing is not available from broker, from an independent provider such as Yahoo Finance). If a pricing issue arises that is not covered by these procedures, TFG's portfolio managers shall use its best efforts and all appropriate means to obtain all relevant information in order to determine a fair value. If it is deemed necessary or prudent, TFG may hire an independent third party to provide an appraisal of the security.

For situations in which neither an exchange nor a broker, dealer or market maker issues a price for a security, TFG shall follow "fair valuation" procedures as discussed below.

The valuation of investments for which there is no readily available pricing information is a highly judgmental process, which cannot be subjected to a simple mechanistic formula. The most critical factors are that valuations must be prepared with integrity and based on a common sense approach. In general, the "fair value" of a portfolio security is defined as the price a client might reasonably expect to receive from the sale of a security in the normal course of business to an arm's-length buyer. Fair value is not meant to be based on what can be obtained from an immediate "fire sale" disposition, nor on what a buyer might pay at some later time, such as when the market ultimately realizes the security's true value as currently perceived by the portfolio manager. Rather, the fair valuation methodologies employed by TFG shall attempt to represent the amount at which an asset could be acquired or sold in a current transaction between willing parties in which the parties each acted knowledgeably, prudently, and without compulsion. Valuation of real estate investments are generally determined by annual tax assessments. Life insurance and annuity contracts are normally updated annually based on independent valuations provided by the insurer's statement. Notes and partnerships are usually valued based on the original amount of the indebtedness less payments and plus interest where applicable. We attempt to value closely held

securities based on an independent source such as the Board's valuation, buy back offer, or book value.

### **Item 13 - Review of Accounts**

Accounts under TFG's management are monitored on an ongoing basis by the Investment Committee members and the Chief Compliance Officer. The Investment Committee members review each account in detail at least annually, as well as in connection with each client meeting. On at least a quarterly basis the lead investment advisor reviews the clients' quarterly portfolio appraisal reports, including reports that are designed to identify accounts that are outside the expected ranges for returns, exposure to asset classes, and exposure to industry sectors. Reviews of client accounts will also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Mutual fund positions are monitored on a monthly basis, or intra-monthly if circumstances, such as the departure of a fund manager, arise. If a fund is changed out in the 401(k) plans we manage, it is changed out in all portfolios holding that position.

TFG provides quarterly portfolio appraisal reports for all separate account management clients, unless the client requests an appraisal report on a monthly basis. Quarterly reports include asset allocation, portfolio values, cost basis, unrealized gain/loss, time weighted return performance, change in value since last reported period, management fee report, and a summary transaction report of any receipts and disbursements. TFG's investment advisors review all client portfolio appraisals before they are mailed out, to determine whether the account is in line with expectations and the IPS, and to define the action, if any, to be taken during the following quarter. The Chief Compliance Officer conducts a independent review of the reports.

Clients receive at least quarterly statements from their qualified custodian reflecting all balances and transactions. In 401(k) plans for which TFG serves as the fiduciary investment advisor, the record keeper provides quarterly reports to the plan sponsor and all participants, as well as daily valued account information via their participant and plan sponsor access website.

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

TFG does not pay any portion of its advisory fees to anyone in connection with the referral of a client to TFG. TFG does not share its fee with anyone, nor does TFG share in the fees of any service providers or professionals with whom it collaborates or works on a client's behalf.

Other than the previously described products and services that TFG receives from Schwab, TFG does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

### **Item 15 - Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but TFG can access many clients' accounts through its ability to debit advisory fees. For this reason TFG is considered to have custody of client assets. For accounts where the clients have requested that a principal of TFG serve as Power of Attorney, Trustee, or Executor, TFG is deemed to have implied custody over those assets.

Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by TFG. For all accounts over which TFG has implied custody (other than the ability to debit advisory fees), TFG commissions a surprise verification to be conducted annually by an independent Certified Public Accountant. The reports of such verifications are available on [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Item 16 - Investment Discretion**

TFG has investment discretion over most clients' accounts. Clients grant TFG trading discretion through TFG's advisory contract. This means that TFG has the client's authority to determine, without obtaining specific client consent, the securities to be bought and sold, the amount of securities to be bought and sold, the broker or dealer to be used, and the commission rates paid.

In rare instances, TFG will serve as a non-discretionary investment advisor. In those cases, a special addendum to the contract is executed stating that the relationship is a non-discretionary relationship, which means that trades cannot be placed except under the client's advance consent.

Clients can place reasonable restrictions on TFG's investment discretion. For example, some clients have asked TFG not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis.

### **Item 17 - Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, TFG has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that TFG receives will be treated in accordance with these policies and procedures.

TFG considers the reputation, experience, and competence of a company's management and board of directors when it evaluates a prospective investment. In general, TFG votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. TFG also generally votes in favor of compensation practices and other measures that are in-line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance, and that align the interests of management and shareholders.

TFG has not identified any material conflicts of interest in connection with past proxy votes. Such a conflict could arise if, for example, a client was a senior executive with a publicly traded company and other clients held securities issued by that company. Absent specific client instructions, if TFG identifies a material conflict of interest it will follow the procedures outlined in its proxy voting policies.

A copy of TFG's proxy voting policies and procedures, as well as specific information about how TFG has voted in the past, is available upon written request. Upon written request, clients can also take responsibility for voting their own proxies, or can give TFG instructions about how to vote their respective shares.

### Class Actions Service

TFG has adopted and implemented written policies and procedures governing the submission of Class Action Claims. All class action claims will be treated in accordance with these policies and procedures.

TFG delegates to Broadridge Global Securities Class Action Recovery Service the responsibility for identifying and filing securities class action settlement claims on behalf of client accounts for cases in which the client is eligible to participate. Broadridge will provide the following services:

- Annual analysis of trading data to identify the holders of any securities that are covered by a class action award, and file claims on behalf of those eligible to participate.
- Track and monitor settlement claims to ensure that they are paid in an accurate and timely fashion.
- Enable clients to take part in both U.S. and Global securities class action settlements.
- Allow clients to recover the maximum amount to which they are entitled.

Clients will automatically be covered by the Broadridge Class Action service, unless they wish to opt out of this service. There is no cost to the client or TFG for this service if no reward is obtained. In the event of a recovery, as compensation for its services, Broadridge will receive 20% of any award they recover on the client's behalf. TFG believes this is the most efficient and effective way for clients' class action award claims to be administered.

### **Item 18 - Financial Information**

TFG has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts. Therefore, TFG has no disclosure relevant to this item.