

# **HOBERT & SVOBODA, INC.**

**WEALTH MANAGEMENT**

## **INVESTMENT ADVISOR BROCHURE**

### **Form ADV Part 2A March 30, 2011**

*This Brochure provides information about the qualifications and business practices of Hobert & Svoboda, Inc. (H&S). If you have any questions about the contents of this Brochure, please contact us at (800) WLTH MGMT (9584-648) or by email at [info@hspdm.com](mailto:info@hspdm.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.*

*Hobert & Svoboda, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.*

*Additional information about Hobert & Svoboda, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**350 BISHOPS WAY, SUITE 206  
BROOKFIELD, WISCONSIN 53005-6221  
(262) 782-8900; (800) WLTH MGT  
FAX (262) 782-4784  
EMAIL: [INFO@HSPDM.COM](mailto:INFO@HSPDM.COM)  
WEBSITE: [WWW.HSPDM.COM](http://WWW.HSPDM.COM)**

**At Hobert & Svoboda, Inc.,  
we are committed to adding value through personalized objective advice  
provided proactively.**

## **Item 2 - 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.

### Item 3 – Table of Contents

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## **Item 4 - Advisory Business**

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### **Description of Advisory Firm**

Hobert & Svoboda, Inc. (H&S) is an investment advisory firm located in Brookfield, WI. It was incorporated in 1982. The principal owners are Leonard T. Hobert and William J. Svoboda. The firm specializes in advising retirement plan asset management services and also offers customized individually managed accounts through its Portfolio Design and Management Services (PDM). It also offers financial planning and consulting services.

### ***Portfolio Design and Management Services (PDM)***

Throughout history, a major factor affecting man's quality of life has been his ability to acquire and manage financial resources. In assisting our client's in the management of their wealth, the philosophy of Hobert & Svoboda, Inc. is that every client is entitled to honest, professional, and personalized service, and has the right to have his/her financial goals heard and understood. Many investment management firms follow a tightly prescribed investment philosophy into which all investors must fit.

We believe that each client's situation is unique due to different risk/reward parameters, liquidity and income needs, and time horizons over which they measure performance. Therefore, each client's portfolio must reflect these differences.

Based on this philosophy, PDM is a client centered service whose first goal is to understand each client's financial objectives. Once the client's objectives are defined, the proper portfolio is selected and assets are allocated among a broad range of investment classes. PDM enables one to participate on a sophisticated basis in the capital markets while retaining both flexibility and liquidity.

### ***Assets under Management***

As of March 30, 2011, Hobert & Svoboda Inc. manages approximately \$173,500,000 in assets; including retirement plans, individual, and other types of accounts.

### ***Types of Securities***

Hobert & Svoboda, Inc. believes that diversification is one of the keys to achieving long term investment success. PDM provides this diversification through the allocation of assets among various investments which may include domestic stocks, foreign stocks, mutual funds, exchange-traded funds ("ETFs"), and inverse/leverage funds. The asset class of fixed income will include U.S. corporate, U.S. government and world bond funds; H&S may use other fixed income instruments to diversify a portfolio when applicable. In certain situations, at the client's request, the domestic equity portion may include individual stocks while the other asset classes would consist of a select group of no-load mutual funds and/or ETFs.

"Inverse funds," seek to deliver the opposite of the performance of the index or benchmark they track. They seek to increase in value when the market declines and decrease in value when the market rises. "Leverage funds," seek to deliver multiples of the performance of the index or benchmark they track. Leverage causes the value of the fund's shares to be more volatile than if the fund did not use leverage. These types of funds help further diversify our client portfolios.

Specializing in the area of retirement accounts, H&S may use other securities to help diversify a portfolio for its plan participants.

### ***Financial Planning and Consulting Services***

A client may elect to utilize H&S services to implement a comprehensive financial plan or elect to engage H&S to address a specific need.

## **Item 5 – Fees and Compensation**

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### ***Fees for Portfolio Design and Management (PDM) Advisory Services***

The specific manner in which fees are charged by Hobert & Svoboda, Inc. is located in the client's written PDM Agreement with H&S. H&S will generally bill its fees on a calendar-quarterly basis; after services are provided, in accordance with the schedule of fees shown on "Addendum A." The minimum annual fee per account is \$1,000. "Addendum A" states the fee schedule as follows:

<b><u>PDM Agreement: Addendum A</u></b>	
<b><u>Fees For Services (1) (2)</u></b>	
<b><u>Total Value of Portfolio (\$)</u></b>	<b><u>Based on Total Portfolio Value</u></b>
0 - 500,000	1.00%
500,001 - 1,000,000	0.75%
1,000,001 - 2,000,000	0.60%
2,000,001 - 10,000,000	0.45%
1. <i>Retirement plans - "Fee For Services" - is at a reduced rate based on a number of factors; including asset size and no. of participants.</i>	
2. <i>Fees more than \$10,000,000 negotiated based on size and type of account.</i>	

All fees will be based on the total value of assets in client's portfolio at the end of the quarter. One quarter of the annual fee will be deducted from the account in the month following each quarter end. All fees are subject to negotiation; fees may be reduced from the standard fee schedule for charitable organizations and foundations.

Quarterly fees are directly debited from the client accounts with client written authorization. If the client requests fees to be invoiced directly to client, they are due within thirty days of the invoice date. If H&S does not receive your fee within 45 days of the invoice date, client authorizes H&S to deduct the fees from the client's account. The fee schedule on "Addendum A" may be modified by H&S upon written notice to the client.

Accounts that are initiated during the calendar quarter will be charged a prorated fee. If the client terminates an account without the first 3 months of the account opening, the customary first quarter fee will be deducted from the account's assets for services rendered up to the date of termination. A client may terminate a PDM Agreement in writing at any time for any reason. Upon termination clients are obligated to compensate H&S in cash for the balance of fees due. If client

withdraws a total of \$100,000 or more (or a substantial portion of the account's value) during the calendar quarter, H&S will access a prorated quarterly fee on the amount withdrawn.

### ***Fees – Important Consideration***

When clients open a new account, clients should be aware that in the event that mutual funds or other securities are liquidated initially to fund an account to be managed, or sold thereafter while managing the account, substantial costs could be incurred. For example, securities with a low cost basis sold at a higher market value could result in substantial taxable capital gains. Also, to the extent that certain mutual fund classes are sold, such as "B Class" shares, deferred sales charges could occur with the liquidation.

Clients should be aware that in addition to H&S's advisory fee, each mutual fund in which a client's assets are invested also pays a management fee (normally called an expense ratio). These fees will reduce the net asset value of the fund's shares. In general, mutual funds and exchange traded funds (ETFs) charge internal management fees, and are disclosed in a fund's prospectus.

Hobert & Svoboda, Inc.'s PDM advisory fees are exclusive of transaction fees (for example, ETFs), and other related costs and expenses which could be incurred by the client. While the mutual funds that H&S generally purchases from Schwab are no-load, no-transaction fee funds, Schwab may impose a "Contingent Redemption Fee (CRF)" which is a fee that is deducted when the fund is sold within a certain time period (usually 7 to 180 days). These CRF fees are mostly connected to funds that carry higher market volatility (i.e. high yield bond funds, domestic small cap funds, and international sector of the market).

Client may incur certain charges imposed when opening a new account, closing your account, as well as other miscellaneous charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to Hobert & Svoboda's PDM advisory fee, and Hobert & Svoboda Inc. shall not receive any portion of these commissions, fees, and costs.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

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Neither Hobert & Svoboda, Inc. nor any of its Supervised Persons (employees) accepts performance-based fees (fees based on a share of capital gains on or capital appreciation of assets of a client).

H&S does not use a performance-based fee structure. Performance-based compensation may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk to the client.

## **Item 7 – Types of Clients**

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Hobert & Svoboda, Inc. provides wealth management advisory services to corporate pension and profit-sharing plans as well as individuals (including high net worth individuals), trusts, estates and charitable organizations.

### ***Minimum Investment Amounts Required***

H&S requires a minimum account of \$100,000 for PDM advisory services, although this may be negotiable under certain circumstances. H&S may group certain related client accounts for the purpose of achieving the minimum account size. H&S charges a minimum annual fee of \$1,000.

Clients should be aware that in order to purchase certain mutual funds, a minimum investment amount is often required by the mutual funds' distributors. These minimum purchase amounts often require a minimum portfolio value large enough to cover the minimum purchase amounts. Thus, the minimum portfolio value will change when different funds are purchased or sold.

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

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### ***Methods of Analysis***

Hobert & Svoboda, Inc. methods of analysis may include, charting analysis, fundamental analysis, technical analysis and cyclical analysis. H&S uses the following main sources of information including, financial newspapers, research materials prepared by technical and market timing analysts and prospectuses.

Other sources of information that H&S may use include: Morningstar Principia mutual fund, ETF, stock information as well as Charles Schwab & Company research and market analysis.

### ***Portfolio Objective Determination***

The cornerstone of PDM is a process that recognizes the importance of each client's specific objectives and investment profile. The optimization process takes into account four major variables:

- ◆ The historical investment returns of each asset class in relation to inflation.
- ◆ The market volatility of each asset class including severity and duration of down periods and recovery periods for each asset class after a down period.
- ◆ The relationship between each asset class and every other asset class in terms of market behavior.
- ◆ The extent to which a particular investor is willing to incur risk; risk being defined as the probability of loss over any moving four quarter period.

The conservative, moderate, or high growth portfolio best suited for each client is determined by identifying the client's risk/return objectives, and the time horizon for measuring results. This is done with the help of an Investment Strategy Questionnaire and a personal interview. The goals and objectives for each client are documented in our client relationship management system. Investment policy statements (IPS) are created that reflect the stated goals and objectives. Clients may not impose restrictions on investing in certain securities or types of securities.

### ***PDM Methods of Analysis and Investment Strategies***

PDM's investment strategies are usually put into action by a select core group of no-load, no transaction mutual funds or ETFs. In selecting mutual funds and/or ETFs for a client's portfolio, H&S looks for good managers with distinct investment styles and uses a number of outside services to perform its initial due diligence on each fund or ETF.

Mutual funds and ETFs in each asset class are evaluated based upon performance versus objective over various time periods and are expected to perform in the top tier for their category. We evaluate many internal factors such consistent performance over market cycles versus episodic returns; internal factors (sector weightings; P/E ratios, turnover statistics, and standard deviation). Furthermore, each fund's or ETF management team is evaluated for stability of personnel and consistency of investment philosophy/style; and each fund family's compliance standards. After a fund or ETF is placed in the client's portfolio, we continue to monitor it on a regular basis to make certain it continues to meet our criteria. In selecting the mutual funds and ETFs to be included within the portfolios of its clients, H&S looks for managers with distinctive investment styles and utilizes a number of outside services to perform the initial due diligence on each.

In selecting the individual stocks for a client's portfolio, H&S evaluates several criteria which include, but are not limited to the following: the historical growth pattern of the stock's price, current and historical P/E ratios in relation to the S&P 500, earnings and dividend growth, the company's financial strength and its industry position, the company's intrinsic businessman's value, the company's free cash flow, and the growth potential for the company's industry. Each portfolio is analyzed in relation to our own proprietary criteria.

### ***Risk of Loss***

Our investment approach constantly keeps the risk of loss in mind. Therefore, investors should be aware that past performance of any security is not necessarily indicative of future results. Clients are that investing in securities involves risk of loss that clients should be prepared to bear. Further, depending on the different type of investments, there may be varying degrees of risk:

- *Market Risk:* The price of a security 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.
- *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.
- *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.
- *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.
- *Mutual Fund and ETF Risk:* Mutual fund and ETFs bear additional expenses based on a pro-rata share of operating expenses, including potential duplications of management fees. The risk of owning these securities reflects the risk of owning the underlying securities held by the fund or ETF. Clients may also incur brokerage fees when purchasing ETFs.
- *Management Risk:* Your investments also vary with the success and failure of H&S investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

## **Item 9 – Disciplinary Information**

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Hobert & Svoboda, Inc. has no legal or disciplinary events that are material to a client's or perspective client's evaluation of our advisory business or the integrity of our management.

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

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### ***Use of Discretion and Selection of Brokers and Other Compensation***

When providing advice to clients, each client grants H&S trading discretion to purchase and sell mutual funds and other securities in the client's account. Discretion allows the firm to purchase and sell securities in a client's account whenever it deems appropriate to do so. Should a trading error occur, it is H&S's policy to credit the client's account with any gain that stems from the error.

H&S recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. H&S is independently owned and operated and not affiliated with Schwab. Schwab provides H&S with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional, and are not otherwise contingent upon Advisor committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research, and access to mutual funds and other investments

that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For H&S's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Clients with Schwab Institutional have their account assets protected by insurance. The Securities Investor Protection Corporation (SIPC) provides up to \$500,000 per investor, with a limit of \$100,000 for claims of cash balances. In addition, Schwab provides through Lloyd's of London excess protection above this amount up to \$150 million per client for securities.

H&S is not affiliated with Charles Schwab & Company, Inc. Services provided by Schwab to H&S do not increase transaction fees or commissions of H&S's clients. In the event of a trading error, Schwab's trading policy is to absorb the trading gain or loss if it is under \$100. If the gain is over \$100, Schwab will credit the client's account. If the loss is over \$100, Schwab will charge the loss to H&S.

## **Item 11 – Code of Ethics**

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Hobert & Svoboda, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its 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.

Hobert & Svoboda, Inc. anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which H&S has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which H&S, its affiliates and/or clients, directly or indirectly, have a position of interest. H&S's employees and persons associated with H&S are required to follow H&S's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of H&S and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for H&S's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of H&S will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of H&S's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between H&S and its clients.

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

H&S employees must acknowledge the terms of the Code of Ethics at least annually. Any individual not in compliance with the Code of Ethics may be subject to termination. H&S's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jean Piech, Chief Compliance Officer.

It is H&S's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. H&S will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

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### ***Selecting Brokerage Firms***

H&S recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. The Custodian was suggested based on their wide universe of mutual funds, ETFs, research and quality/cost of service.

H&S serves as investment adviser to Retirement plans that use an array of custodians to reflect the corporate and plan participant's needs; these including Schwab Trust (a division of Charles Schwab & Co., Inc.), Fidelity Investments and other qualified platforms.

### ***Soft Dollars***

Charles Schwab & Co., Inc. makes available to H&S other products and services that benefit H&S but may not benefit its clients' accounts. Some of these other products and services assist H&S in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of H&S's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of H&S's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to H&S other services intended to help H&S manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to H&S by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to H&S. While as a fiduciary, H&S endeavors to act in its clients' best interests, H&S's requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to H&S of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **Item 13 – Review of Accounts**

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### ***PDM Account Reviews***

Each PDM portfolio is closely reviewed and assets are periodically reallocated to maintain the optimum risk/reward balance. Such reviews are performed by each client's H&S representative. Annually, clients are asked to review their investment objective through a "suitability" review to insure an on-going oversight of their account.

H&S provides each client receiving PDM services with an easy to understand quarterly report detailing the performance of his/her investment portfolio. In addition to H&S' easy to read quarterly Portfolio Performance Report, the firm's sophisticated portfolio management software enables us to provide our clients with a wide variety of portfolio management reports.

While the calendar is the main triggering factor, account reviews are also conducted due to a client request, due to a change in client circumstances, account holdings or investment objectives or due to unusual market activity or economic conditions.

H&S is in full cooperation with Retirement accounts to receive detailed report activity and reviews as directed by management and the plan administrator.

### ***Reporting***

Each month, the custodian provides clients with an account statement for each client account, which may include individual holdings, cost basis information, deposits and withdrawals, and income and dividends. In addition, the custodian provides clients with trade confirmation for each position bought and sold.

H&S urges you to carefully review such statements and compare such official custodian records to the account statements that we provide you. Our statement may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

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### ***Other Compensation***

For additional discussion on other compensation received by H&S, please refer to ***Item 5, “Fees and Compensation”*** and ***Item 10, “Other Financial Industry Activities”*** and Affiliations.

### ***Client Referrals, Payments to Third Parties***

H&S may from time to time compensate third parties for referring clients to H&S. Such referral fees are only paid pursuant to a written agreement with the referrer and are fully disclosed to the client in advance of H&S providing its services. Referral fees are paid to the referrer from the published fees collected by H&S and do not increase costs to the client.

H&S also receives client referrals from Charles Schwab & Co., Inc. (“Schwab”) through H&S’s participation in the Schwab Advisor Network (the “Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with H&S. Schwab does not supervise H&S and has no responsibility for H&S’s management of clients’ portfolios or H&S’s other advice or services. H&S pays Schwab fees to receive client referrals through the Service. H&S’s participation in the Service may raise the potential conflicts of interest described below.

H&S pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by H&S is a percentage of the fees the client owes to H&S or a percentage of the value of the assets in the client’s account, subject to a minimum Participation Fee. H&S pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to H&S quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by H&S and not by the client. H&S has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs H&S charges clients with similar portfolios who were not referred through the Service.

The Participation Fee will be based on assets in accounts of H&S’s clients who were referred by Schwab and those referred clients’ family members living in the same household. Thus, H&S will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit H&S’s fees directly from the accounts.

For accounts of H&S’s clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from H&S’s clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance, and settlement of trades executed through broker-dealers other than Schwab. Schwab’s fees for trades executed at other broker-dealers are in addition to the other broker dealers’ fees. Thus, H&S may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. H&S nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a

Different broker-dealer than trades for H&S's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## **Item 15 – Custody**

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### ***Custody – Fee Debiting***

Hobert & Svoboda, Inc. has one form of custody in that clients may authorize H&S (in the PDM Agreement) to have advisory fees deducted from the client's account at the broker dealer, bank or other qualified custodian. The custodian is advised in writing of the limitation of H&S access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to H&S.

While H&S will assist clients in establishing and maintaining accounts at the custodian, H&S shall have no responsibility or liability with respect to custodial arrangements or the acts, omissions or other conduct of the custodian.

### ***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.

As described in Item 13, "Review of Accounts", clients receive at least quarterly statements from the custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare official custodian records to the account statements or other reports that H&S provides. H&S statements may vary from custodian statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

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### ***Discretionary Authority for Trading***

Hobert & Svoboda, Inc. accepts discretionary authority from the client at the outset of an advisory relationship. This authority as defined in the PDM Agreement allows H&S to select the identity and amount of securities to be bought and sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

### ***Limited Power of Attorney***

Through the PDM Agreement, H&S may accept limited power of attorney to act on a discretionary basis on behalf of clients. A limited power of attorney allows H&S to execute trades on behalf of clients.

When such limited powers exist between H&S and the client, H&S has the authority to determine, without obtaining specific client consent, both the amount and type of securities to be bought to satisfy client account objectives. Additionally, H&S may accept any reasonable limitation or restriction to such authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to H&S in writing.

### **Item 17 – Voting Client Securities**

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As a matter of firm policy and practice, Hobert & Svoboda, Inc. does not have any authority to and does not vote proxies on behalf of advisory clients. All proxies are sent directly to you. Clients are instructed to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Clients have the ultimate responsibility for making all proxy-voting decisions.

H&S does not render advice to or take any actions on behalf of clients with respect to any legal proceedings, including bankruptcies and shareholder litigation. Clients retain the responsibility for receiving and voting proxies and any legal proceedings for securities maintained in their portfolios; clients receive these corporate actions directly from either custodians or transfer agents.

### **Item 18 – Financial Information**

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Hobert & Svoboda, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **Item 19 – Requirements for State-Registered Advisers**

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See response to Form ADV Part 2B – Investment Adviser Brochure Supplement.



## Item 20 – Client Privacy Policy

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We are committed to the privacy of your information and will use strict standards to safeguard it. When you employ Hobert & Svoboda, Inc. as your investment advisor, you entrust us not only with your assets, but also with your personal financial data. We consider all information to be private and confidential, and we will hold ourselves to the highest standard of trust and fiduciary duty in its safekeeping. Protecting your privacy is important to us. We want our clients to understand what information we collect and how we use it.

We collect only information that is needed to serve you and administer our business. In the process of serving you, we become stewards of certain “nonpublic personal information” – information about you that is not available publicly. The client information we collect and store generally consists of the following:

- Information you provide directly or indirectly to us on applications or other forms, correspondence or through conversations (such as your name, social security number, home or business address, an e-mail address, phone number, assets, income, date of birth, occupation, etc.)
- Information related to your transactions with us (such as your account numbers, account balances, transaction details and other financial information)
- Information we receive from third parties such as broker statements, custodial statements and trade confirmations

We limit the collection and use of information about our clients to that which is necessary to administer our business and serve our clients.

In order to protect client privacy, we carefully control the way in which any information about clients is shared. We do not disclose information about our clients or former clients to anyone, except as necessary in the management of your account and as permitted or required by law.

We are permitted by law to disclose some or all of the information we collect as described above to other advisers, custodians, brokers, administrators or any firms that assist us in maintaining and supporting the financial products and services provided to you. For example, custodians need information to process security transactions for your account.

We are committed to the security of your nonpublic personal information. Our employees are held accountable for adhering to strict policies and procedures to prevent any misuse of your nonpublic personal information. Our employees are bound by this privacy policy and are educated on implementing our security principles and practices. Our strict policies for protecting client information apply equally to current and former clients.

*Information Security Program* - Hobert & Svoboda, Inc. maintain an information security program to reduce the risk that your personal and confidential information may be breached. We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment; all of which is verified through annual testing of network security.



## **Item 21 – Business Continuity Plan**

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("H&S") has developed a plan describing how we would respond to events that could significantly disrupt our business. Since the timing, impact of disasters and disruptions is unpredictable; the plan must be flexible in responding to actual events as they would occur.

Our Business Continuity Plan addresses: data recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our customer's prompt access to their funds and securities if we are unable to continue our business. In short, the plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

The issuers of the securities and/or custodians in client accounts back up all important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by those issuers that their objective would be to restore their own operations and be able to complete existing transactions and accept new transactions and payments promptly. Still, your orders and requests for funds and securities could be delayed during this period.

Varying Disruptions - Significant business disruptions can vary in their scope, such as our firm, a single building housing our company, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we would transfer our operations to a designated local site when needed and expect to recover and resume business as soon as possible. In a disruption affecting our business district, city, or region, we would transfer our operations to a site outside of the affected area, and recover and resume business promptly. In either situation, we would continue business, transfer operations to another firm if necessary, and notify you by mail and by telephone regarding our customer emergency number and means of contacting us. If the significant business disruption is so severe that it would prevent us from remaining in business, we would assure our customers' prompt access to their funds and securities.

Alternate offices have been identified to support ongoing operations in the event the main office is unavailable. Electronic files are backed up daily and archived offsite.

## **Item 22 – General Information for H&S Clients**

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### ***Communication between H&S and Client***

Hobert & Svoboda, Inc. accepts the forms of general correspondence between H&S and Client that are paper-based communication and electronic-based communication (e-mail and fax). If client elects to send H&S an electronic message (through e-mail or fax), it is the sole responsibility of the client to verify receipt of that message. If client elects to send an electronic request that requires subsequent action by H&S (such as trading in account(s), liquidation requests), it is the sole responsibility of the client to verify receipt of that electronic correspondence.

**HOBERT & SVOBODA, INC.**  
**WEALTH MANAGEMENT**

**PART 2B of FORM ADV**  
**BROCHURE SUPPLEMENT**

**March 30, 2011**

This brochure supplement provides information about Leonard T. Hobert and William J. Svoboda that supplements the Hobert & Svoboda, Inc. brochure.

You should have received a copy of that brochure. Please contact Jean Piech, Chief Compliance Officer if you did not receive Hobert & Svoboda, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Leonard T. Hobert and William J. Svoboda is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**350 BISHOPS WAY, SUITE 206**  
**BROOKFIELD, WISCONSIN 53005-6221**  
**(262) 782-8900; (800) WLTH MGT**  
**FAX (262) 782-4784**  
**EMAIL: INFO@HSPDM.COM**  
**WEBSITE: WWW.HSPDM.COM**

## Part 2B of Form ADV – Brochure Supplement

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### Educational Background and Business Experience

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**H&S requires that individuals providing investment advice to clients on behalf of H&S must have sufficient financial or business experience or must meet of the following qualification standards; Chartered Financial Consultant, Certified Financial Planner, Chartered Financial Analyst, Certified Public Accountant, Chartered Life Underwriter, or College Degree.**

#### **Leonard Tague Hobert.**

Mr. Hobert, born July 26, 1938, studied business administration at Northwestern University from 1956-1958. He graduated from the University of Pennsylvania - The Wharton School of Finance in 1960 with a B.S. degree in Economics and from the American College in 1980 with a M.S. in Financial Services.

Mr. Hobert has been involved in the financial services industry since 1975. During his career, Mr. Hobert he has earned certifications/designations of Certified Financial Planner (CFP), Chartered Financial Consultant (ChFC) and the Chartered Life Underwriter (CLU). He is a registered investment advisor with the State of Wisconsin.

In April of 1982, Mr. Hobert, and others, formed Hobert & Svoboda Enterprises, Inc., a Wisconsin corporation located at Brookfield, Wisconsin, and the predecessor of H&S. Mr. Hobert as President, Treasurer and a Director of that firm was qualified as an Investment Adviser/Representative with the Wisconsin Commissioner of Securities. Mr. Hobert was also a registered representative of Investment Account Services, Inc.

Mr. Hobert is member and past president of The Greater Milwaukee Association for Financial Planning, a member of the Institute of Certified Financial Planners, The American Society of Financial Service Professionals and the Milwaukee Estate Counselors Forum. He has also served on the Schwab Institutional Advisory Board. A frequent speaker on portfolio design and management and financial planning, Mr. Hobert has made presentations to events such as Schwab Institutional's Annual Advisors' Conference, the Milwaukee Bar Association-Estate and Probate Division, the Milwaukee Estate Counselors Forum, the Independent Business Association of Wisconsin and many other groups and conferences. He has been an instructor for the Wealth Accumulation Planning and Financial Counseling courses sponsored by the American College.

Currently, Mr. Hobert is Chairman and Chief Executive Officer of Hobert & Svoboda, Inc. He specialties are portfolio design and management, financial planning including personal and business insurance, insurance, employee benefits, estate planning and investment securities. Mr. Hobert's clients consist of individuals, small to medium size closely-held corporations, and public corporations.

## **William J. Svoboda.**

Mr. Svoboda, born March 28, 1952, graduated from Marquette University in 1974 with a B.S. Degree in Biology.

In May of 1976, Mr. Svoboda formed William J. Svoboda Realty Co., a real estate brokerage business located in Brookfield, Wisconsin. Mr. Svoboda is the owner of and a real estate broker for the business.

From January of 1983 until May of 1984, Mr. Svoboda was employed as an Acquisition Manager for RAL Asset Management Group, a real property acquisition organization located in Brookfield, Wisconsin.

From August of 1983 until May of 1984, Mr. Svoboda was President and Director of Svoboda Securities Corporation, a securities broker/dealer located in Brookfield, Wisconsin, which was registered with the Securities and Exchange Commission, a member of FINRA and licensed by the Wisconsin Commissioner of Securities. In March of 1984, Mr. Svoboda joined Hobert & Svoboda, Inc., as an officer and Director.

Mr. Svoboda is a licensed real estate broker and securities agent in the State of Wisconsin and a registered securities representative with FINRA. He also passed Wisconsin's Investment Advisers Representative Qualification exam during August of 1990. Mr. Svoboda has served as a State Director, District Vice President and a Committee Chairman for the Wisconsin State Board of Realtors. He is also a member of the Greater Milwaukee Chapter of the International Association for Financial Planning.

Currently, Mr. Svoboda is President, Chief Operating Officer and Secretary of Hobert & Svoboda, Inc. He specializes in developing and implementing investment strategies for the corporate pension and profit-sharing plan. His other clients consist of individuals (including high net worth individuals), trusts, estates and charitable organizations. Mr. Svoboda is a marquee speaker regarding market trend analysis utilizing a research driven approach to determine those factors which lead to substantial moves in the markets.