

Firm Brochure
(Part 2A of Form ADV)



Tellone Management Group, Inc.
An SEC Registered Investment Adviser

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This brochure provides information about the qualification and business practices of *Tellone Management Group, Inc.* If you have any questions about the contents of this brochure, please contact us at: 714-998-2290, or e-mail us at info@tellone.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. In addition, registration by *Tellone Management Group, Inc.* alone does not imply a certain level of skill or training.

Additional information about *Tellone Management Group, Inc.* is available on the SEC's website at www.adviserinfo.sec.gov.

March 30, 2022

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Material Changes

Tellone Management Group, Inc. reviews and updates our brochure at least annually to confirm that it remains current. We have made the following material changes since the last annual update to our brochure dated March 30, 2021.

- Regulatory Assets Under Management for purposes of filing the firm’s March 2022 Form ADV annual amendment are reported as of December 31, 2021. However, as of February 1, 2022, the firm entered into a transaction with WealthSource Partners, LLC (“WealthSource”) pursuant to which the firm’s separate account advisory relationships were transitioned to WealthSource and are no longer managed by the firm. Additionally, the firm is in the process of winding down the Pure Growth, L.P. and Select Fixed Income, L.P. funds. It is also anticipated that management of the remaining private funds currently advised by the firm will be transitioned to Tellone Financial Services, an affiliated entity.
- On August 31, 2021, the U.S. Securities and Exchange Commission filed an action against Tellone in the United States District Court, Central District of California, Case: 8:21-cv-01413, Securities and Exchange Commission v. Tellone Management Group, Inc., Dean Tellone, Steven Wolfe, and Robert Gumerman, alleging violations of various Federal securities laws relating to disclosures concerning a loan of approximately \$1 million originally made by Tellone Mortgage Fund in 2006. The court has scheduled a final pretrial conference for January 12, 2024, but has not set a trial date. The matter is ongoing.

This brochure is produced under guidelines approved in 2010 by the Securities and Exchange Commission (SEC) mandating that advisors’ brochures be written in “plain English.” These guidelines are intended to make information about each firm clearer and easier to understand, as well as allowing investors to better compare the information provided by different firms.

In accordance with the guidelines adopted by the SEC, our Tellone Management Group, Inc. brochure has two parts:

1. ADV Part 2A – The “brochure.” A detailed description of our firm’s business practices, fees and policies for providing service to clients.
2. ADV Part 2B – The “brochure supplement.” Information about our firm’s professional staff, including each advisory person’s education, business background, and other credentials.

Please contact us if you have any questions about the information provided in the brochure and brochure supplement, or if you would like additional information about Tellone Management Group, Inc. We welcome the opportunity to talk with you.

Advisory Business

Firm Description

With a passion for helping others grow and manage their wealth, Dean Tellone founded and incorporated *Tellone Management Group, Inc.* (hereafter, *TMG*) in 1987. With over 30 years in business, the team at *TMG* has grown to include loyal financial experts that are highly qualified, credentialed, and motivated. This team-based approach has been an effective method to help clients who have a wide variety of financial needs. *TMG* takes a proactive approach to helping clients develop a strategy to address financial goals and objectives, using the most efficient methods available to them. The company mission is to keep clients on track toward a meaningful and successful financial future through Active Wealth Management.

Active Wealth Management is about forming a partnership with a team of financial experts and choosing an active role in your future. Everyone has a unique perspective on what makes for the “ideal life.” Whatever it may be, your ideal life is about you! For this reason, it is our belief that a proper wealth management program must be centered on the values and relationships that are most treasured and meaningful in your world. *TMG*’s approach is focused on the big picture, but multi-faceted to capture details, plan accordingly, monitor progress, and adjust as necessary. *TMG* understands that life is a journey with many twists and turns along the way. We are here to increase confidence and comfort for accomplishing goals by uncovering your vision for the future and the role your finances play in making that future a reality. We understand that money is often the root of some of the most stressful concerns in life. We are here to assist in reducing those anxieties through appropriate guidance and counsel. We understand that life is a beautiful thing. We are here to help you live it to the fullest and celebrate those many milestones by your side.

TMG recognizes that asset management is a means to an end. This is the process that aims to maximize and maintain wealth to live your values and realize your goals. While specific goals may vary over a life span, proper investing within the scope of wealth management seeks to provide a pathway to your ideal life. *TMG* works with clients to help clarify investment objectives and determine a risk tolerance balance that fits their lifestyle.

TMG is not a “Buy and Hold” investment advisor. *TMG* goes beyond with Active Asset Management that seeks to capitalize on both overbought and oversold conditions in the market, prioritizes quality stock ownership with upside potential, and proactively adjusts investment exposure to adapt to the current market environment. Since the markets are always adjusting to new information and expectations, *TMG* believes that investing requires an ongoing assessment of the changing landscape of opportunities. By focusing on active stock and sector selection, proper asset allocation, and income-generating option strategies, *TMG* strives to meet or outperform client objectives with reduced volatility.

The Investment Committee works as a team to build and maintain investment portfolios. With the constant flow of information in today’s world, managing investments is an ongoing commitment. *TMG* embraces that responsibility wholeheartedly. Decades of investment

experience that span multiple business cycles and top-tier investment professional credentials, we believe demonstrates our ability to make prudent investment decisions. *TMG* is not shaken by short-term swings in sentiment, nor are we blissfully ignorant to potential challenges. *TMG's* knowledge from time and education is an indispensable asset in managing portfolios built to last. Furthermore, disciplined risk management is a major part of our portfolio construction. While it is important to understand that investments do not always move in a straight line, *TMG* works hard to smooth out the ride. By appropriately limiting risk in a variety of ways and striving to preserve assets during times of volatility, clients are able to put those assets to work for future growth and stay on track for the long-term.

With the use of pooled portfolio funds, *TMG* also allows qualified investors the opportunity to participate in a diversified asset management. Each partnership offers an individual management strategy, ranging from conservative fixed income to growth-oriented capital appreciation investments. *TMG* manages five limited partnership investment funds.

The fiduciary standard of care requires that a financial adviser act solely in the client's best interest when offering personalized financial advice. From day one and driven by the tone at the top and a strong culture of compliance, *TMG* strives to always put the client's best interests first. *TMG* stands for transparency in our reasoning and our investment management because we believe it is the right way to operate. This is aided by the fact that *TMG* is independent, meaning that our solutions are based on client needs, period. *TMG* is not swayed by outside shareholders, internal quarterly earnings, or corporate mandates.

We realize how important financial peace of mind is to our clients. Therefore, our number one objective is to help them realize and maintain their financial goals and independence. By integrating our services into one comprehensive program, we strive to maximize the overall net worth of our clients.

Principal Owner

Dean C. Tellone is President and sole owner of Tellone Management Group, Inc., an SEC Registered Investment Adviser. Mr. Tellone attended the University of Arizona in Tucson. He received a Bachelor of Science Degree in Accounting in 1971 and a Masters in Business Administration from California State Polytechnic University, Pomona, California in 1987. He graduated from the College for Financial Planning in 1988.

Mr. Tellone is also President and sole owner of Tellone Financial Services, Inc., a business that specializes in financial planning, accounting and tax services for many types of clients, including for clients of Tellone Management Group, Inc. The company has been in existence since 1975.

Mr. Tellone holds the following professional designations:

Series 2 - Non-Member General Securities Exam - NASD 12/13/85

Enrolled Agent (EA) with the IRS - 4/22/91
Certified Financial Planner, (CFP®) - 9/12/88

Types of Advisory Services

TMG manages investment accounts for many types of clients, including individuals, high net worth individuals, retirement accounts, trusts, pensions, estates, charitable organizations, corporations, small businesses, and partnerships. In most instances, *TMG* will provide complete supervisory services for discretionary accounts. Management of client portfolios will be unique to each client's investment goals, and will account for the client's retirement needs, liquidity requirements, objectives and preferences, and other related circumstances. Management of client accounts will include analysis of investment portfolios, implementing trading and transaction procedures, and monitoring account allocation and performance.

Participant Directed Retirement Plan Consulting

We believe the present level of comfort of our client's employees' is dependent on the confidence they have in their financial future. Participant choice plans have evolved into complicated and puzzling entities. The Plan Sponsors and investment committees of 401(k) and 403(b) plans bear a significant fiduciary burden. As a co-fiduciary, *TMG* provides leadership to the investment committee and assists them with everything from drafting investment policy statements to selecting and monitoring investment management options to negotiating fees with vendors. Vendor management is increasingly critical to a successful 401(k) or 403(b) offering. Often the missing piece of the retirement plan puzzle is proper fiduciary oversight required by the plan sponsor to select and monitor appropriate investment alternatives for its employees. In addition, fees can be hidden and difficult to force to the surface. At *TMG*, we speak the language. We are only paid by our clients. We are an objective voice. We are an advocate for plan sponsors, investment committees and ultimately each Plan Participant. Within any of *TMG's* advisory service offerings, clients are free to impose restrictions on certain securities or types of securities which, for any reason, they may find objectionable.

Tailored Relationships

Based on financial goals, risk levels, age, retirement, and an array of investment needs, each relationship with the advisor will be tailored to fit the needs of the investor. *TMG* is not a one-size-fits-all investor. Investors may maintain preference in their account(s) to include and/or exclude certain equities, sectors, or investment vehicles to suit their own desires and goals.

Financial Planning Services

TMG also provides financial planning and consulting services. This may consist, among other things, of gathering relevant information pertaining to our client's financial circumstances; identifying client's goals, objective, priorities, concerns, time-horizon, tolerance for risk, and

other preferences specified by our clients; performing analysis on behalf of clients; preparing appropriate recommendations for clients.

Agreements

Asset Management clients will be required to sign the investment advisory agreement at the time they invest. The agreement stipulates the fee schedule that will be discussed with the advisor to clarify any issues or concerns that may arise.

Clients who engage *TMG* for asset management services will also be required to complete a Client Profile Assessment. This document provides *TMG* valuable personal information regarding the client's financial situation and risk tolerance.

Clients for whom we provide standalone financial planning will be required to sign our Planning Engagement Agreement.

Assets Under Management

TMG manages client assets in discretionary accounts on a continuous and regular basis. As of 12/31/2021, the total amount of discretionary assets under our management was \$505,277,042.

Fees and Compensation

Description & Fee Billing

Compensation for investment management varies according to the client/advisor account relationship. Generally, client accounts will be charged a quarterly investment management and advisory fee based on a percentage of the total portfolio value. *TMG* carefully analyzes all securities in each account to determine an accurate total portfolio value. The fees will be paid in arrears at the end of each quarter and will be deducted automatically from the managed account. *TMG*'s current fee schedule for such accounts is as follows:

| <u>Managed Assets</u> | <u>Annual Percentage Rate</u> |
|---------------------------------------|-------------------------------|
| Less than \$1,000,000 | 1.00% |
| \$1,000,000 but less than \$2,000,000 | .90% |
| \$2,000,000 but less than \$3,000,000 | .80% |
| \$3,000,000 but less than \$4,000,000 | .70% |
| \$4,000,000 but less than \$5,000,000 | .60% |
| \$5,000,000 or more | .50% |

The minimum annual advisor's fee per household is \$1,000.

Compensation for some investment management services, such as those mentioned below, may vary from the schedule above. Also, in certain circumstances, compensation may be pre-

negotiated between client and advisor. In these instances, *TMG* will be compensated by a specified percentage of assets under management, on an hourly basis, or through a set and pre-arranged fixed fee.

TMG also manages private Limited Partnership accounts that consist of pooled investment portfolios designed to allow qualified investors the opportunity to participate in an alternative investment fund. *TMG* receives compensation monthly from these accounts based upon the individual partnership agreements.

The General Partner receives a management fee from the Fund as of the last business day of each month in arrears equal to 0.1042% (approximately 1.25% on an annual basis) of each Limited Partner's total capital account balance in the Fund as of the last business day of such month, prior to any withdrawals as of such last business day. The minimum investment for each fund ranges from \$15,000 to \$50,000, depending on the particular Fund (subject to such exceptions as the General Partner permits). A Limited Partner may not reduce its capital account balance below the Fund minimum (or such lesser amount as may be permitted by the General Partner) unless withdrawing from the Fund as a Limited Partner. Additional information can be found in the respective Fund documentation.

Fees for Participant Directed Retirement Plan Consulting

TMG, additionally, provides ongoing consulting services to participant directed qualified and non-qualified retirement plans which includes independent searches and ongoing performance measurement of plan investments, facilitating the Plan's investment options as well as policy and guideline formulation. Fees for Retirement Plan Consulting services are negotiated based on the selection of services, prior to the signing of the consulting agreement. *TMG* charges an asset based or flat/fixed fee and will vary depending on the level and scope of services required. *TMG* generally serves as investment fiduciary to the plan and can serve in a non-discretionary or discretionary capacity.

Fees for Financial Planning

For standalone financial planning services, fees are charged either hourly or as a flat annual fee. The final hourly fee will be directly dependent upon the facts and circumstances of a client's financial situation and the complexity of service(s) requested. An estimate of total cost will be provided at the start of the relationship. 50% of estimate is due upon signing of the agreement with the remaining 50% due upon completion. For flat annual fees, 50% will be due upon signing of the agreement with the remaining 50% due upon completion as well.

For financial planning clients who also have an investment management relationship with *TMG*, we reserve the right to waive any additional fees for financial planning.

Other Fees

In addition to fees charged directly by *TMG*, client accounts may be subject to other costs related to brokerage commissions or related service fees assessed by the custodian. *TMG* uses an approach when dealing with such cost that is geared to provide the client with the best value and service experience.

Tellone Financial Services, Inc., a related party to *TMG*, provides private lending, accounting and tax services for *TMG*. Clients of *TMG* may or may not be clients of Tellone Financial Services, Inc. Any fees associated with these services are separate from fees charged by *TMG*.

As outlined below in “*Other Financial Industry Activities and Affiliations*”, from time to time, loans that are outside of the funds’ investment parameters could be referred to third parties, including clients of the firm. Tellone Financial Service’s fee for this service is generally 1.25% of the loan amount for loans of \$100K or higher, and for a loan amount under \$100K, a flat rate will be negotiated for loan origination and processing. Additionally, Tellone Financial Services will typically charge a document preparation fee ranging from \$300 - \$360. Fees may vary in some situations, are subject to change, and are reflected in the loan documentation.

Performance Based Fees

Sharing Capital Gains

To avoid any conflicts of interest, *TMG* does not utilize any type of performance-based fee schedule as compensation for its management services.

Types of Clients

Description

The valued clients of *TMG* vary by stage in life and place of residence. They have unique stories and personalities. What they have in common is the desire to align their financial choices with their most important goals and deeply held values with the assistance of a trusted financial advisor partnership. Whether planning as an individual or for the entire family, clients often are looking to reduce stressful concerns regarding money in order to put their time, attention, and focus on what matters most to them and live their ideal life.

The majority of clients are High Net Worth individuals, individuals (other than high net worth), corporations, and company pension and profit-sharing plans.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

When analyzing potential investments and monitoring existing positions, *TMG* uses a comprehensive approach that includes cyclical, technical, and fundamental analysis. Utilizing a top-down method that analyzes key macroeconomic variables and broad market technical indicators, *TMG* begins with thorough analysis of the big picture in order to make economic forecasts and best identify strong sectors. From there, analysis of individual companies is used to refine and determine which investments provide for the best risk-adjusted returns. Stock selection criteria include, but are not limited to, measures of financial health, profitability, sustainable and increasing dividends, and fair value assessments. Potential catalysts to unleash value and provide price appreciation are also critical considerations.

The main sources of outside data and professional opinion used by *TMG* in performing its analysis are independent investment research, financial periodicals, corporate rating services, market timing reports, prospectuses, and filings with the Securities and Exchange Commission. Due to *TMG*'s investor relationships with Charles Schwab & Co, Inc, *TMG* has access to the Schwab research department for use in analyzing both broad market trends and specific investments.

TMG utilizes a team-based approach for investment management. As such, investment decisions go through the Investment Committee, which is comprised of three generations of investment professionals. This collaborative effort encourages engaged dialogue and the vetting of investment ideas to promote a better end result. *TMG* utilizes sophisticated portfolio management technology to maintain streamlined, efficient, and effective investment processes. The investment management is scalable to allow for all accounts to participate fairly and equally in all investment decisions.

Investment Strategies

As a registered investment advisor that strives to provide active asset management, *TMG* is not a buy and hold investment advisor. Specific strategies may vary between accounts due to client specific goals and risk tolerance levels. *TMG* recognizes the dynamic nature of the market and incorporates proactive asset management strategies to adapt to the current market environment.

A main focus for investors is having their funds available when needed. This requires expectations of time horizon to be identified and aligned with the investment portfolio from the onset. *TMG* provides solutions to match client income needs.

Diversification and asset allocation is implemented to create portfolios that are resilient, dependable, and built to last. The managed portfolios are diversified across assets classes

and industries. Allocations are reviewed regularly and adjusted based on short-term and long-term opportunities.

TMG harnesses the plethora of benefits associated with market movements. By going beyond emotions and looking deeper at the fundamental and technical factors of markets, opportunities emerge from volatility. *TMG* champions the use of conservative option strategies to generate additional income to dampen overall account volatility. Just like an expert shopper at the mall, *TMG* is always looking for “bargains.”

Clients of *TMG* work hard to earn a living for themselves and their family. By having an in-office related tax practice that works directly with investment advisors, clients are assured that their wealth accumulation strategies and financial goals are synchronized with their tax plans. These services are provided by Tellone Financial Services, Inc., a related party to *TMG*. Clients of *TMG* may or may not be clients of Tellone Financial Services, Inc. Any fees associated with these services are separate from fees charged by *TMG*.

The *TMG* philosophy of Active Wealth Management means that the Investment Committee is proactive in identifying trends and making the necessary adjustments when *TMG* is given the discretion to help protect and grow your assets. When investment decisions are made, they are done swiftly.

TMG attempts to add value with a dual emphasis on short-term trading and long-term wealth accumulation.

Short-term strategies include:

- trading to profit on temporary market inefficiencies
- ETFs for hedging, sector rotation, and capitalizing on broad overbought and oversold conditions in the market
- options for hedging, speculation, and additional income.

Long-term strategies are evident in a core asset allocation that is diversified between asset classes and company sectors. Typical portfolios consist of stocks of companies that:

- have demonstrated strong competitive advantages
- are likely to be sustainable far into the future
- are financially sound
- have strong positions in stable and highly profitable industries
- have good management.

Risk of Loss

TMG strives to continually assesses risk and reward within its investments and utilizes strategies to control for various types of risk; however, there is no guarantee that *TMG* will be able to achieve the stated goals of its managed portfolios. As such, risk factors should be considered before investing. Among others, these include:

- Purchasing Power Risk – The risk that future inflation will cause the purchasing power of cash flow from an investment to fall
- Reinvestment Rate Risk – The risk that falling interest rates will cause the cash flow from an investment to fall when the principal or interest payments of that investment are reinvested at lower rates
- Interest Rate Risk – The risk that a change in interest rates, especially rising rates, will cause the market value of a fixed-income security to fall
- Market Risk – The risk that changes in overall market prices will cause changes in the market value of a specific security
- Exchange Rate Risk – The risk that an appreciating home-country currency, compared to a foreign currency, will cause an investment in a foreign security denominated in the foreign currency to be worth less, in dollar terms, than what that investment would have been worth if the currency rates had remained stable
- Business Risk – The risk associated with the nature of the business
- Credit Risk – The risk that an enterprise's financial condition will deteriorate, resulting in a downgrading of its debt
- Default Risk – The risk that an enterprise's financial conditions will deteriorate to the point where it will not meet its financial obligations, most commonly illustrated by an issuer of a bond issue not paying interest and/or principal when due
- Event Risk – The possibility that an investment will be adversely affected by an unanticipated and damaging event
- Financial Risk – The risk associated with the extent to which debt has been used to finance a company's operations
- Marketability Risk – The risk that an investment does not have an active market within which to trade the investment
- Liquidity Risk – The degree of uncertainty associated with the time it takes to sell an investment with a minimum of capital loss from the current market price

While *TMG* is committed to a low fee structure and best trade pricing, frequent trading and increased turnover may increase trading costs and carry adverse tax consequences when compared to more passive strategies. All investing, especially investments in long options, carry risk of loss of some or all principal.

Investments in Limited Partnerships managed by *TMG* may contain stated policies that are narrowly defined and may not be diversified. These Limited Partnerships are meant to be part of a carefully constructed asset allocation policy.

Disciplinary Information

Legal and Disciplinary

On May 5, 2017, *TMG* and Dean Tellone consented to the entry of an order by the SEC without admitting or denying the SEC's findings. The SEC found that from January 2010 to August 2015, *TMG* and Mr. Tellone allocated profitable day trades in a manner that was sometimes inconsistent with *TMG*'s disclosure to clients. *TMG*'s Forms ADV disclosed that the firm would allocate trades on a rotational basis so that over time clients would receive roughly equal treatment; however, *TMG* and Mr. Tellone allocated day trades with a profit of \$300 or less to a single client account because the client had negotiated commission-free trades with a third-party brokerage firm. *TMG* and Mr. Tellone considered from time to time whether their practice of allocating profitable day trades to one client account unfairly benefited the account, but they concluded that the account was not unfairly benefited because the account's annual profits were generally consistent with the return of *TMG*'s other clients. The SEC found, however, that the account was unfairly benefited because it received risk-free profitable trades while all other accounts bore the risk of that trading account. In or about September 2015, *TMG* discontinued the day trading strategy in separately managed accounts.

The SEC order requires *TMG* and Dean Tellone to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Advisers Act; censures *TMG* and Mr. Tellone; and imposes a civil money penalty on each of them.

On August 31, 2021, the U.S. Securities and Exchange Commission filed an action against Tellone in the United States District Court, Central District of California, Case: 8:21-cv-01413, Securities and Exchange Commission v. Tellone Management Group, Inc., Dean Tellone, Steven Wolfe, and Robert Gumerman, alleging violations of various Federal securities laws relating to disclosures concerning a loan of approximately \$1 million originally made by Tellone Mortgage Fund in 2006. The court has scheduled a final pretrial conference for January 12, 2024, but has not set a trial date. The matter is ongoing.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

Tellone Financial Services, Inc., whose President is Dean C. Tellone, is a related party to *TMG*. Tellone Financial Services, Inc. provides accounting and tax services for *TMG*, and its employees are affiliated with *TMG*. Clients of *TMG* may or may not be clients of Tellone

Financial Services, Inc. Any fees associated with these services are separate from fees charged by *TMG*.

While certain of its supervised persons who are licensed insurance agents may be compensated via commissions from the sale of an insurance product, *TMG* does not receive any commissions (either directly or indirectly).

A licensed insurance agent may pursue opportunities that arise through which they could participate in an insurance transaction and receive related compensation, recommend to both *TMG* and non-*TMG* clients a variety of insurance products, and may from time to time make referrals of both *TMG* and non-*TMG* clients to outside insurance professionals and/or receive an insurance “commission split” in the form of one-time payments or insurance trailers.

Though *TMG* will not participate directly in the commission, a conflict of interest exists due to the licensed insurance agent being compensated via full or partial commissions from the sale of an insurance product either directly or through another firm. The insurance commissions are separate from and in addition to any fees that *TMG* receives for advisory services. Clients are under no obligation to act on any insurance recommendations or place any transactions through the recommended insurance professionals if they decide to follow their recommendations.

Affiliations

TMG serves as the General Partner or co-General Partner of pooled investment vehicles formed for investment purposes (collectively, the “Funds”). In addition, *TMG* generally serves as the investment adviser to each of the Funds. *TMG* personnel spend as much time as deemed necessary on activities relating to the Managing Entities and the Funds. The Funds contain one or more of the following: equities, bonds, mutual funds, options, mortgages, cash, and/or money market funds.

Each of the Funds and their respective General Partner are listed below:

| | |
|-------------------------------|-------------------------------------------------------|
| Hall Mortgage Fund, L.P. | Tellone Management Group, Inc. |
| Pure Growth, L.P. | Tellone Management Group, Inc. |
| Select Fixed Income, L.P. | Tellone Management Group, Inc. |
| Tellone Mortgage Fund, L.P. | Tellone Management Group, Inc. |
| Touchdown Mortgage Fund, L.P. | Tellone Management Group, Inc. and Touchdown, Inc. |

As appropriate, *TMG*’s advisory clients are solicited to invest in one or more of the Funds. However, because investment in these types of entities involve other risk considerations, they will only be recommended when consistent with the client’s stated investment objectives, tolerance for risk, liquidity, and suitability. Solicited clients interested in investing in a particular Fund will be provided with a private placement memorandum or equivalent

document for their review which will contain detailed information and risk factors specific to the Fund.

Potential Conflicts of Interest

The General Partner collects management fees from investors of the Fund. As a result, if a client were to invest in a Fund, *TMG* will be entitled to receive additional compensation from such client as a result of these fees and payments. Therefore, clients should be aware that this potential for additional compensation to *TMG* creates a potential conflict of interest that may impair objectivity when making advisory recommendations. It is important to note, however, that any client invested in the Fund as part of its Managed Assets will receive a credit against Advisory Fees otherwise payable to the Advisor pursuant to the Advisory Fee Schedule.

In addition, from time to time, *TMG* or one of our related persons makes a proprietary investment in a Fund. We or our related persons will receive proportional returns associated with the investment, in addition to our receipt of management fees.

Among the Funds' investments are loans to "Tellone Parties." All Tellone Party loans will be internally labelled as such. *TMG* acknowledges that this may create a conflict of interest. Tellone Parties are defined as "(i) other private investment vehicles that are sponsored or managed by *TMG* or its affiliates, (ii) companies or business associations in which the General Partner, its principles or any of its affiliates has an equity or other participation interest, and (iii) partners, officers, managers, members, and employees of *TMG*, or other persons who have a family or business relationship with any such persons.

Because *TMG* may also serve as the managing member or general partner of a Tellone Party or have an equity or other participation interest in a Tellone Party, potential conflicts of interest arise in relation to the extension of credit facilities by the Fund to such Tellone Party. *TMG* may have incentive to provide favorable terms to a Tellone Party, and the rights, interests and remedies of the Fund as a creditor, and pursuant thereof, may be at odds with the rights, interest and remedies of a Tellone Party. To alleviate this potential conflict, where loans have been made to Tellone Parties, all offering documents will disclose that loans to Tellone Parties are among the fund investments and disclosure of these loans will be included in quarterly letters to all investors of the involved Fund. Negotiations with respect to the terms of any credit facility will not constitute transactions between third parties, and as such, no assurance can be given that these transactions will be made on terms at least as favorable as those that would have been obtained in a transaction with an unrelated party.

Funds may also purchase loans from related funds, which can also create a conflict of interest. Whenever this occurs, the loan information will be disclosed in the quarterly letter to all fund investors in the same manner as Tellone Party loans are disclosed.

Tellone Party loans will be presented for approval by the Loan Committee. In the event that a member of the Loan Committee has a material conflict of interest with respect to the

acquisition or disposition of a particular investment, such member shall recuse himself or herself from any decision relating to such investment, and the unaffected members shall consult with the Chief Compliance Officer on the merits of proceeding with the proposed transaction. Additionally, from time to time, loans that are outside of the funds' investment parameters could be referred to third parties, including clients of the firm. Tellone Financial Services reserves the right to broker these loans and charge a fee for this service (see the *Fees and Compensation* section above).

Funds typically include additional regulatory expenses, including, without limitation: expenses related to preparing and making regulatory and compliance filings associated with the vehicle and its investment activities; software and related systems; consultants utilized in connection with the preparation and making of such filings; organizational expenses; expenses incurred in connection with the offering and sale of the Interests (including expenses incurred in accordance with domestic or foreign law), and other similar expenses related to the vehicle.

Additional conflict of interest information is included in each Fund's Offering Memorandum.

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

Code of Ethics

TMG follows a strict Code of Ethics which establishes written standards promulgated to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships
- full, fair, accurate, timely, and understandable disclosure in reports and documents that *TMG* or its affiliates file with, or submits to, the Securities and Exchange Commission (SEC) and in other public communications made by *TMG*
- compliance with governmental laws, rules, and regulations that apply to *TMG*.

This Code of Ethics or any amended version of it will be distributed to all clients or prospective clients of *TMG* and its affiliates upon request. Clients or prospective clients will have the option to request and receive the Code of Ethics in paper or electronic formats.

Participation or Interest in Client Transactions

From time to time, *TMG* or a related person of *TMG* may buy or sell securities that it also recommends to clients. To ensure no clients are treated unfairly during these transactions, and all clients are giving equal opportunity to obtain favorable pricing, *TMG* monitors all such trades. Furthermore, *TMG* and its related parties are not allowed to buy and sell securities it

recommends to clients if such transaction could directly manipulate the price of the securities.

Personal Trading

TMG and/or related persons will trade in securities it recommends to clients and realizes in certain situations this could create a conflict of interest. Such transactions, therefore, are monitored to insure client accounts are not adversely affected. Any thinly traded securities are avoided when trading simultaneously in clients' accounts. *TMG* also has strict oversight of employees' or related person's individually managed accounts outside the firm proper.

Brokerage Practices

Selecting Brokerage Firms

Brokers are chosen by *TMG* based upon the value they offer to its clients. Brokers are evaluated by comparing commission rates, service quality and dependability, and research products available. Although *TMG* may determine or suggest which broker to use for a client account, at no time does *TMG* select a certain broker in return for products and research services received. Brokers are also evaluated periodically to ensure that all client accounts are receiving favorable commission rates, service, access to research products, and timely execution of trades.

Execution

Brokers are chosen by the adviser based upon the value and "best-pricing" they offer to the clients. Brokers are evaluated by comparing commission rates, service quality and dependability, and research products available.

Research and Other Soft Dollar Benefits

Although not a material consideration when determining whether to recommend that a Client utilize the services of a particular broker-dealer/ custodian, *TMG* may receive from our broker-dealers/custodians, without cost (or at a discount), support services and/or products that benefit *TMG* but may not directly benefit our clients' accounts. Schwab Advisor Services™ is Charles Schwab's business serving independent investment advisory firms like *TMG*. Charles Schwab makes available products and services that may be used to service all or a substantial number of *TMG's* accounts, including accounts not maintained with this broker. Charles Schwab makes available products and services that assist *TMG* in managing and administering clients' accounts including software and other technology that:

1. provide access to client account data (such as trade confirmations and account statements);
2. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;

3. provide research, pricing and other market data;
4. facilitate payment of *TMG*'s fees from our clients' accounts; and
5. assist with back-office functions, recordkeeping, and client reporting.

Additionally, *TMG* has entered into an agreement with Charles Schwab where we receive an economic benefit to be used toward technology related expenses in furtherance of its investment advisory business operations. As indicated above, certain of the support services and/or products that may be received may assist *TMG* in managing and administering client accounts. Others do not directly provide such assistance, but rather assist *TMG* to manage and further develop its business enterprise. Charles Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

TMG's clients do not pay more for investment transactions effected and/or assets maintained at Charles Schwab as a result of this arrangement. There is no corresponding commitment made by *TMG* to Charles Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual fund, securities or other investment products as a result of the above arrangement.

Brokerage for Client Referrals

Neither *TMG*, any related person, nor any of its employees receive client referrals from a broker-dealer or third party as a result of having selected a certain broker-dealer or third party to execute client trades.

Order Aggregation

TMG seeks, but is not obligated, to aggregate or block orders for the purchase or sale of the same security for client accounts where *TMG* deems appropriate, in the best interests of the client accounts, and consistent with applicable regulatory requirements. Aggregation of orders may involve in more favorable execution or more efficient execution than separately placing each client's orders and in a way in which dollar cost averaging can be easily obtained. When a block trade is filled in its entirety, each participating client will participate at the average share price for the block trade on the same business day, and transaction costs shall be shared pro rata based on each client's participation of the order. When an aggregated trade is partially filled, the securities purchased will be allocated on a pro rata basis to each account participating in the order based upon pre-allocation instructions, except in limited circumstances that are approved by the Chief Compliance Officer (e.g., de minimis executions and/or odd lots), at the same average share price.

Clients may direct *TMG* to use a particular broker-dealer to execute some or all transactions in your account. Accounts custodied away from Charles Schwab may not participate in aggregated orders or may incur additional ticket charges. As a result, accounts custodied

away from Charles Schwab may pay higher commissions, transactions costs, or receive less favorable net prices on transactions than would otherwise be the case.

Review of Accounts

Periodic Reviews

For those Clients for whom *TMG* provides investment advisory services, account reviews are conducted on an ongoing basis by *TMG*'s Portfolio Managers and/or staff. Clients are advised that it remains their responsibility to advise *TMG* of any changes in their investment objectives and/or financial situation. Clients are also encouraged to review investment objectives and account performance with *TMG* on an annual basis.

Certain accounts may receive more frequent monitoring due to the account type, investment portfolio, and client objectives. Reviews are conducted for the purpose of evaluating, reporting, rebalancing, and implementing the investment objective of each client. Reviews will focus on ensuring that account asset allocation is in line with client risk tolerance and investment objectives. This process measures the client's portfolio against any changes in the market environment, world economy, specific investment suitability, and investment developments unique to each individual account.

Participant Directed Retirement Plan Consulting

TMG will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. *TMG* will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly. Clients will typically receive quarterly reports as contracted for at the inception of the advisory relationship.

Regular Reports

TMG will provide clients with quarterly performance analysis reports. These reports include a breakdown of beginning value, net contributions, capital appreciation, income, expenses, and ending value. Additionally, a snapshot view of asset allocation and holdings will also be provided.

The broker dealer or custodian that maintains custody of the client's account will provide notification of all securities transactions directly, along with annual tax documents, and monthly or quarterly account statements. Brokerage account statements include the total current market value of their individual portfolio, a record of all security transactions, and a portfolio summary. Furthermore, clients are encouraged to sign up for electronic delivery and online access to their accounts in order to facilitate full transparency in real time.

Client Referrals and Other Compensation

TMG has no referral for compensation arrangements. All compensation paid to *TMG* is paid directly by the client.

Custody

Account Statements

As previously disclosed in the “Fees and Compensation” section (Item 5) of this Brochure that with client written authorization our firm directly debits advisory fees from client accounts, which is deemed to be custody. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Holders of accounts established with Charles Schwab & Co., Inc. or Fidelity Investments receive monthly reports for their Separate Accounts. Clients should contact us directly if they believe that there may be an error in their statement.

TMG is also deemed to have custody of clients’ funds or securities when clients have standing authorizations with their custodian to move money from a client’s account to a third-party (“SLOA”) and under that SLOA, authorize us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of rules intended to protect client assets in such situations, which we follow (*See also Schedule D, Miscellaneous*).

TMG is also deemed to have custody of client assets by virtue of its role as general partner in five limited partnership investment funds, which receive an annual audit from an independent accounting firm registered with, and subject to, regular inspection by the Public Company Accounting Oversight Board. Audited financial statements are provided to the limited partners of the funds within 120 days after their respective fiscal year end.

As a matter of policy and practice, *TMG* does not permit employees or the firm to accept or maintain custody of client assets other than as identified above.

Performance Reports

TMG provides quarterly reports showing portfolio values, capital flows, investment performance, asset allocation, holdings, and other notable items. Clients are encouraged to compare the statements from the brokerage house to the reports provided by *TMG*. In the case of discrepancies, the client is encouraged to contact *TMG* in order to clarify any and all variances in the reporting.

Investment Discretion

Discretionary Authority for Trading & Limited Power of Attorney

Currently, *TMG* allocates client investment assets on primarily a discretionary basis, and occasionally on a non-discretionary basis, among various individual securities and mutual funds, in accordance with the client's designated investment objective(s). Prior to engaging *TMG* to provide investment advisory services, the client will be required to enter into a formal Investment Advisory Agreement with *TMG* setting forth the terms and conditions under which *TMG* shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian that provides the necessary power of attorney agreeing to allow *TMG* to execute certain transactions in client accounts. Some clients have certain stocks that have preferred status with the client. The client should establish upfront, in writing, that these stocks are not to be traded or sold for any reason.

Certain client-imposed conditions may limit our discretionary authority, such as where the client prohibits transactions in specific security types or directs *TMG* to execute transactions through specific broker-dealers.

Voting Client Securities

Proxy Votes

TMG does not accept the authority for proxy votes in client accounts. *TMG* will vote on issues related to the assets held only in its limited partnerships and will disclose upon request its voting policy. Clients will receive their solicitations for votes directly from the custodians.

Security Claims Class Action Litigation

TMG has engaged a third-party service provider, Chicago Clearing Corporation (CCC), to monitor and file securities claims class action litigation paperwork with claims administrators on behalf of the Firm's clients. When a claim is settled and payments are awarded to *TMG* clients, it may be necessary to share client information, such as name and account number, with CCC in connection with this service.

TMG does not receive any fees or remuneration in connection with this service nor does it receive any fees from the third-party provider(s). CCC earns a fee based on a flat percentage of all claims it collects on behalf of *TMG*'s clients. This fee is collected and retained by CCC out of the claims paid by the claim administrator. Clients may opt out of this service at any time. If a client opts out, *TMG* does not have an obligation to advise or take any action on behalf of a client with regard to class action litigation involving investments held in or formerly held in a client's account.

Class Action Lawsuits

TMG also provides class action litigation monitoring and securities claim filing services through CCC. You are included in this service unless you choose to opt out. You may change your opt-out election at any time by notifying us in writing. If you participate in this service, CCC will retain 15% of each claim recovery you receive. We have the right to change the provider of this service. If we do, we will notify you and send you another opt-out election form.

Because we are providing this service through CCC, we no longer monitor class action suits or process claim forms on your behalf (whether or not you participate in the service CCC provides). We are not responsible or liable for: (a) any assistance we provide to CCC concerning monitoring or processing class action claims or (b) any CCC act in monitoring or processing such claims.

Financial Information

Financial Condition

The financial health and security of *TMG* remains strong. There is presently no financial condition that would impair the adviser's ability to meet contractual commitments to clients. *TMG* has not been the subject of a court judgment nor has the corporation been the subject of an arbitration hearing. There has been no decision rendered that would create a financial condition that would impact the corporation or its clients negatively.

TMG does not require prepayment of fees. All fees are paid in arrears as spelled out in the section entitled "Fees and Compensation."



Form ADV, Part 2B Brochure Supplement

Dean C. Tellone
Steven E. Wolfe

6200 E. Canyon Rim Road, Suite 201
Anaheim Hills, CA 92807
(714) 998-2290

March 30, 2022

This brochure supplement provides information about the individuals listed above that supplements the Tellone Management Group, Inc. ("TMG") brochure. You should have already received a copy of that brochure. Please contact Nigel Pierce at (714) 998-2290 if you did not receive our brochure or if you have any questions about the contents of this supplement.

Additional information about the individuals listed in this brochure is available on the SEC's website at www.adviserinfo.sec.gov.

Dean C. Tellone, MBA, EA, CFP®**ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

Dean C. Tellone, President, Secretary, & Treasurer, b. 1949

Education:

Bachelor's degree in Business Administration, University of Arizona, 1971

Master's degree in Business Administration, California State Polytechnic University, Pomona, 1987

Business Background:

10/1987 – Present: Tellone Management Group, Inc., President, Secretary, Treasurer

05/1986 – Present: Tellone Financial Services, Inc., President, Chief Financial Officer

Professional Designations

CERTIFIED FINANCIAL PLANNER™ (“CFP®”)ⁱ

Enrolled Agent (“EA”)ⁱⁱ

ITEM 3 - DISCIPLINARY INFORMATION

On May 5, 2017, *TMG* and Dean Tellone consented to the entry of an order by the SEC without admitting or denying the SEC's findings. The SEC found that from January 2010 to August 2015, *TMG* and Mr. Tellone allocated profitable day trades in a manner that was sometimes inconsistent with *TMG*'s disclosure to clients. *TMG*'s Forms ADV disclosed that the firm would allocate trades on a rotational basis so that over time clients would receive roughly equal treatment; however, *TMG* and Mr. Tellone allocated day trades with a profit of \$300 or less to a single client account because the client had negotiated commission-free trades with a third-party brokerage firm. *TMG* and Mr. Tellone considered from time to time whether their practice of allocating profitable day trades to one client account unfairly benefited the account, but they concluded that the account was not unfairly benefited because the account's annual profits were generally consistent with the return of *TMG*'s other clients. The SEC found, however, that the account was unfairly benefited because it received risk-free profitable trades while all other accounts bore the risk of that trading account. In or about September 2015, *TMG* discontinued the day trading strategy in separately managed accounts.

The SEC order requires *TMG* and Dean Tellone to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Advisers Act; censures *TMG* and Mr. Tellone; and imposes a civil money penalty on each of them.

ITEM 4 - OTHER BUSINESS ACTIVITIES

Dean C. Tellone also serves as the President of Tellone Financial Services, Inc. Tellone Financial Services, Inc. provides financial planning, private lending, accounting and tax services. Financial planning work is performed by individuals holding the CERTIFIED FINANCIAL PLANNER™ designation. Private lending is directed by the Loan Committee. Tax and

accounting work are primarily led by an in-house Certified Public Accountant and supporting accounting staff.

ITEM 5 - ADDITIONAL COMPENSATION

Dean C. Tellone's compensation comes from his regular salary and ownership of *TMG* and Tellone Financial Services, Inc.

ITEM 6 - SUPERVISION

Dean C. Tellone is the President of *TMG* and supervises all employees. To the extent required by *TMG*'s Code of Ethics, Nigel J. F. Pierce, Chief Compliance Officer, reviews Dean C. Tellone's personal trading. Nigel J. F. Pierce can be reached at (714) 998-2290.

Steven E. Wolfe, CFP®

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Steven E. Wolfe, Compliance Officer, b. 1970

Education:

Bachelor's degree in Business Administration, University of Southern California, 1992
CA Life Insurance License, 2010-Present

Business Background:

05/1995 – Present: Tellone Management Group, Inc., Vice President of Investments
05/1995 – Present: Tellone Financial Services, Inc., Vice President
01/2003 – 03/2017: Tellone Management Group, Inc., Chief Compliance Officer

Professional Designations

CERTIFIED FINANCIAL PLANNER™ (“CFP®”)i

ITEM 3 - DISCIPLINARY INFORMATION

Steven E. Wolfe has no disciplinary history to disclose.

ITEM 4 - OTHER BUSINESS ACTIVITIES

Steven E. Wolfe also serves as the Vice President of Tellone Financial Services, Inc.

ITEM 5 - ADDITIONAL COMPENSATION

Steven E. Wolfe's primary compensation comes from his activities with *TMG*.

While Mr. Wolfe does not actively pursue insurance business, opportunities may arise through which he could participate in an insurance transaction and receive related compensation. Though *TMG* will not participate directly in the commission, a conflict of interest exists due to Mr. Wolfe being compensated via commissions from the sale of an insurance product. The insurance commissions are separate from and in addition to any fees that *TMG* receives for advisory services. Clients are under no obligation to act on any insurance recommendations or place any transactions if they decide to follow his recommendations.

ITEM 6 - SUPERVISION

Dean C. Tellone, President, is responsible for supervising Steven E. Wolfe's activities. Dean C. Tellone monitors the advice provided by Steven E. Wolfe for consistency with client objectives and *TMG's* policies. Dean C. Tellone can be reached at (714) 998-2290.

End Notes

ⁱ The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

ⁱⁱ An **enrolled agent** is a person who has earned the privilege of practicing, that is, representing taxpayers, before the Internal Revenue Service. Enrolled agents, like attorneys and certified public accountants (CPAs), are unrestricted as to which taxpayers they can represent, what types of tax matters they can handle, and which IRS offices they can practice before.

How do you become an enrolled agent? There are two tracks to becoming an enrolled agent. These tracks are described in Federal regulations contained in a pamphlet known as [Treasury Department Circular 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers Before the Internal Revenue Service](#). The two tracks are:

- **Written examination.** You can become an enrolled agent by demonstrating special competence in tax matters by taking a written examination. This track requires that you -
 - Apply to take the Special Enrollment Examination (SEE); prometric.com/irs;
 - Achieve passing scores on all parts of the SEE;
 - Apply for enrollment; and
 - Pass a background check to ensure that you have not engaged in any conduct that would justify the suspension or disbarment of an attorney, CPA, or enrolled agent from practice before the IRS.
- **IRS experience.** You can become an enrolled agent by virtue of past service and technical experience with the IRS that qualifies you for enrollment. This track requires that you -

- Possess the years of past service and technical experience specified in [Circular 230](#);
- Apply for enrollment; and

Pass a background check to ensure that you have not engaged in any conduct that would justify the suspension or disbarment of an attorney, CPA, or enrolled agent from practice before the IRS.