

# Comprehensive Financial Management

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Firm Disclosure Brochure

(Form ADV Part 2A)

March 27, 2023

This brochure provides information about the qualifications and business practices of Comprehensive Financial Management. If you have any questions about the contents of this brochure, please contact Nicholas R. Brown at (408) 358-3316. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration with the SEC or notice filing with any state securities authority does not imply a certain level of skill or training. CFM’s SEC number is 801-73689.

Additional information about Comprehensive Financial Management is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Summary of Material Changes**

Comprehensive Financial Management has made the following material changes to the Form ADV Part 2A since the last annual amendment on March 31, 2022:

- Item 4 was updated to add language regarding CFM’s potential need comply with the DOL’s Prohibited Transaction Exemption 2020-02 (“PTE 2020-02”), under certain circumstances.

CFM routinely makes updates and clarifying changes to this brochure in an effort to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry and firm practices.

### **Item 3. Table of Contents**

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## Item 4. Advisory Business

Comprehensive Financial Management LLC (“CFM”) is a California limited liability company operating as a multi-family office and investment advisory firm. CFM was founded by Michael G. Mohr in August, 1986 and began offering its current services in 1996. The firm is currently managed by two partners – Gregory R. Hardester, who joined the firm in 1996; and Jeffrey R. Alvord, who joined the firm in 2007. CFM is wholly owned by its principals. CFM views every client relationship as a long-term partnership. We seek client input and welcome feedback on how to serve our clients better. We tailor investment strategies to fit the short and long-term goals and needs of our clients.

CFM customizes and personalizes our broad range of services to provide each client with the best service possible. In addition to investment advisory services, CFM also provides the following services to our clients:

- Tax management, analysis, and consulting
- Estate planning
- Lifestyle asset acquisition and management
- Governance consulting
- Financial audit assistance
- Accounting and bill pay
- Philanthropic management
- Risk management consulting

### Investment Advisory and Financial Planning Services

CFM’s investment advisory and planning services are designed to be part of a collaborative process that results in an integrated approach to meeting each client’s short and long-term goals and targets. Each client has an engagement manager who works with the client to design and implement investment strategies that will deliver the financial means to achieve the client’s goals, targets, and aspirations.

CFM generally utilizes the following process to design a custom set of investment strategies and services for each client:

- Identify and prioritize client goals and objectives: CFM tailors each client’s investment portfolio based on a detailed understanding of the client’s goals, objectives, and preferences. Goals include financial security, support of family members, wealth preservation, business responsibilities, and charitable and philanthropic goals.
- Gather and analyze relevant information: CFM uses data to recommend asset allocation and investment strategies. CFM may work with third-party service providers (legal, accounting, and other advisers) to obtain relevant information and coordinate strategies and actions.
- Propose recommendations: CFM prepares a plan for the client to review. Strategies and plans are revised until the plan satisfies the client or the engagement manager.
- Plan Implementation: After the client or engagement manager approves the plan, CFM begins the implementation process, drawing on existing investments, in-house financial professionals and external manager relationships as appropriate.
- Monitoring progress: CFM reviews goals at least annually to ensure progress and continued alignment with client objectives. Clients can review their goals with CFM at any time.

In some cases, a trust or other entity is created to benefit a client's family member and the investment plan is driven by the terms of the gift and the nature of the entity.

#### IRA Rollover Recommendations

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

As of December 31, 2022, CFM managed \$16,571,837,000 in total assets on a solely discretionary basis.

## **Item 5. Fees and Compensation**

#### Hourly work-based fees

CFM bills its clients on an hours-worked basis. The firm has specific arrangements in place with each client family, the hourly rates for each employee are determined by management. Employees' time is billed to clients periodically based on the number of hours each employee dedicated to each client. Employees' hourly rates vary based on their salary, seniority, and responsibilities. Engagement managers review and approve draft billings for clients on a periodic basis before bills are sent out. In addition to CFM's hourly fees, clients may pay other fees and costs such as custodial fees, banking fees, brokerage expenses, wire transfer fees, investment management and incentive fees and expenses charged by third party investment managers with which clients are invested. CFM believes its hourly fees are competitive compared to fees charged by other investment advisers for comparable services. However, comparable services may be available from other sources for lower fees.

### Performance-based fees

In addition to hourly fees, some clients are also charged additional fees for investment services based on the performance of their investments. The client and CFM agree on the performance fee, if any, to be paid, the assets to be included in the fee structure, and other relevant terms such as high-water marks and hurdle rates by which performance fees are calculated and subsequently paid. The client approves the performance-based fee calculations annually. CFM may charge performance-based fees on client assets invested in accounts and funds managed by outside managers that also charge fees. CFM complies with Rule 205-3 under the Investment Advisers Act of 1940, to the extent required by applicable law. Performance fees may create an incentive for CFM to make more risky and speculative investments than it would otherwise make. For additional information regarding the potential for performance fees, please refer to Item 6. Performance-Based Fees and Side-by-Side Management.

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

Not all clients are charged performance-based fees in addition to hourly fees. A performance-based fee is a way of compensating an investment adviser with a share of the gains or appreciation of the assets under management. CFM does not have a performance fee schedule. The terms and conditions of any performance-based fees are customized for each relationship with the client's participation and approval. The structure of any performance-based fees is negotiated with each client separately. Non-partner employees of CFM do not have separate compensation agreements with CFM clients; however, employees may receive an annual bonus if certain performance benchmarks are met. Occasionally, clients provide CFM with in-kind compensation at the client's discretion. All in-kind compensation requires the approval of the client, engagement manager and chief compliance officer.

In the allocation of investment opportunities, performance-based fee arrangements risk creating (i) an incentive for CFM to favor clients with performance fee arrangements over clients that are not charged, or from which CFM will not receive a performance-based fee (e.g., because CFM has not met the relevant performance threshold, if one exists), and (ii) an incentive to favor clients from which it will receive a greater performance fee over clients from which it will receive a lesser performance fee. CFM has adopted investment allocation policies and procedures (which are part of CFM's Compliance Manual) designed to ensure that all clients are treated fairly and equally and to prevent this form of conflict from influencing the allocation of investment opportunities among clients. In accordance with the allocation procedures, CFM and its personnel will endeavor to treat clients in a fair and equitable manner.

## **Item 7. Types of Clients**

CFM manages investments for high-net-worth individuals and families. Within some client relationships, CFM manages assets for a variety of entities including, but not limited to, foundations, trusts, corporations, limited liability companies and partnerships.

## **Item 8. Methods of Analysis, Investment Strategies and Types of Investments, and Risk of Loss**

### Methods of financial analysis

CFM formulates custom investment strategies for each client. CFM considers the type of client (individual, nonprofit, etc.), the client's return requirements and risk tolerances, the timing and size of liquidity needs, the tax status, and the overall life situation of the client. CFM uses a combination of computer programs, internal models, scenario-based analyses, and qualitative discussions and analyses to create a portfolio management structure for clients.

#### Investment strategies and types of investments

The investment strategies that result from the analysis of client and market data generally fall into the categories of capital preservation, capital growth, current income generation, or a balance among the three. Asset allocations can include domestic and international assets and include equity, bond and fixed income, real estate, and alternative investment holdings while maintaining appropriate levels of liquidity to meet expected spending needs. Vehicles include (but are not limited to) individual stocks and bonds, mutual funds and ETFs, real estate investment trusts (REITs), master limited partnerships (MLPs), hedge funds, and private equity and private credit funds. CFM employs external managers and also manages securities portfolios in-house. CFM recommends portfolio and estate planning strategies that match a client's financial goals.

#### Sources of information

Clients provide some of the information used to construct the financial plan:

- Financial goals, both short and long-term
- Existing assets and liabilities
- Current and expected sources of income
- Risk tolerance
- Future projects and other possible uses of capital

CFM also uses market, economic, and investment data such as:

- Past and expected future asset class returns for stocks, bonds, and other assets
- Current and expected interest rates
- Current and expected inflation rates
- Current and expected tax regulations and tax rates
- Analysis and commentary from internal and external sources

#### Investment Risk Factors

Investing in securities and other assets involves a potential risk of loss due to various market, economic, political, regulatory, business, currency, counterparty and other risks that clients should be prepared to bear. CFM does not guarantee the future performance of any client account, investment decision or strategy. Future results may vary substantially from past performance and no investment strategy can guarantee profit or protection from loss. Returns on investments can be volatile and a client may lose all or a portion of their investment.

Equity and equity-related investments are volatile and will increase or decrease in value based upon issuer, economic, market and other factors. Small capitalization stocks generally involve higher risks in some respects than do investments in stocks of larger companies and may be more volatile. The securities of non-U.S. issuers also involve a high degree of risk because of, among other factors, the relative lack of public information with respect to such issuers, less governmental regulation of stock exchanges and issuers of securities traded on such exchanges, and the absence of uniform accounting, auditing and financial reporting standards. The non-U.S. domicile of such issuers and currency fluctuations may also be factors in the assessment of financial risk to a client. Foreign securities markets are often less liquid than U.S. securities markets, which may make the disposition of non-U.S. securities more difficult. Emerging markets can be subject to greater social, economic, regulatory and political uncertainties and can be extremely volatile.

Investments in fixed income and credit securities are subject to credit, liquidity, prepayment and interest rate risks, any of which may adversely impact the price of the security and result in a loss. The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

Alternative investments, such as hedge funds and private equity/venture capital funds, are generally less liquid than other asset classes and can involve a high degree of risk. Alternative investments generally have high fees (including both management and performance-based fees) and expenses that partially offset returns. Alternative investments are generally subject to less regulation than publicly traded investments. Secondary markets for alternative investments are limited and there may be significant restrictions or limitations on withdrawing from or transferring these types of investments. An account may invest in restricted securities that are subject to long holding periods, or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded. Private equity and venture capital funds generally require an investor to make and fund a commitment over several years. Some private funds reinvest substantially all income and gain rather than distribute income and gains when realized. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes.

The use of third-party managers in investment programs involves additional risks. The success of the third-party manager depends on the capabilities of its investment management personnel and infrastructure, all of which may be adversely impacted by the departure of key employees and other events. The future results of the third-party manager may differ significantly from the third-party manager's past performance. CFM or a third-party manager may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. While CFM employs reasonable diligence in evaluating and monitoring third party managers, no amount of diligence can eliminate the possibility that a third-party manager may provide misleading, incomplete or false information or representations, or engage in improper or fraudulent conduct, including unauthorized changes in investment strategy, insider trading, misappropriation of assets and unsupportable valuations of portfolio securities. CFM or a third-party manager also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could



make a profit or avoid losses. CFM may charge performance fees on client assets invested in accounts and funds managed by outside managers that also charge fees.

Third party managers, funds, and CFM may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses. Such managers and funds may also sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.

CFM and third-party managers may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. CFM and third-party managers are not obligated to hedge a client's or a fund's portfolio positions, and frequently may not do so. Also, third party managers and funds may sell securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.

CFM's internally managed investment strategies (and some third-party manager strategies) might hold a relatively concentrated portfolio of securities in comparison to their respective benchmarks and broader market indices. In addition, these strategies may be impacted (positively or negatively) by the performance of one or more positions in the portfolio or the sectors in which the strategies focus their investments.

Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.

Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which managers and funds do business may default on their obligations. For example, a client or a fund may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.

Clients should carefully evaluate all applicable risks with any investment or investment strategy, and realize that investing in securities involves risk of loss that clients should be prepared to bear. CFM and third-party managers are generally not responsible to any client for losses incurred in an account unless the conduct resulting in such loss breached the manager's or CFM's fiduciary duty to the client. Additionally, investment activities of CFM and third-party managers could have adverse tax consequences for clients, including liability for interest and penalties.

## **Item 9. Disciplinary Information**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to a client's evaluation of the investment advisor and each investment advisor representative providing investment advice to a client. We have no information of this type to report.

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

CFM does not have any financial industry subsidiaries, affiliates, or related company relationships. CFM has related entities for the purpose of firm administration. Certain CFM related entities serve as trustee for certain client trusts. CFM is wholly-owned by its principals. CFM does not have any arrangements with broker-dealers, distributors, placement agents, or other advisors.

CFM selects third party managers to manage client capital. Neither CFM nor any of its employees receive compensation from third party managers in exchange for the firm's recommendations.

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

CFM has adopted policies and procedures that put restrictions in place for employees when they trade for their own accounts. These policies and the resulting restrictions are designed to minimize conflicts of interest with respect to CFM clients. The policies are available to clients upon request.

### Participation or interest in client transactions

At times, CFM buys or sells securities for its own account acting as principal when a client is the counterparty to the transaction ("Principal Transaction"). CFM also may receive securities from a client for no financial consideration as a form of in-kind compensation. If CFM, or any CFM employees, enter into any Principal Transaction with a client, or engages in cross transactions between accounts owned by different client families, the firm will obtain the consent of the client, engagement manager and the chief compliance officer. CFM generally does not, but has the ability to, engage in cross transactions for its clients.

### Personal trading rules, procedures and Insider Trading Policy

CFM restricts employees from owning or trading in shares of certain companies if its employees obtain material nonpublic information. CFM also restricts employees from owning or trading in shares of companies our clients founded or currently sit on the board of directors, concentrated client holdings, and companies in which clients or employees have inside information. CFM employees may come into possession of material nonpublic information during the normal course of business. CFM employees are bound by United States laws and legal restrictions on communicating and acting on inside information that might be of benefit to themselves or CFM clients.

All employees are bound by an Insider Trading Policy and Restricted Stock List, and Compliance Manual and Code of Ethics. New employees are presented with these policies and procedures when they join the firm. The list of restricted securities includes those issued by companies in which, during the course of their normal business affairs, clients or employees might acquire inside information. The Restricted Stock List is reviewed periodically by senior management and revised by CFM's chief compliance officer.

Excluding stocks on the Restricted Stock List, CFM allows employees to own stocks and other investments that are held in client portfolios. Permissible employee holdings include stocks, bonds,

mutual funds, ETFs, and other securities that CFM clients hold directly or that third party managers purchase for clients.

All reportable transactions are reported to the chief compliance officer in accordance with the reporting requirements outlined in the Compliance Manual and Code of Ethics and personal trading is monitored in order to reasonably prevent conflicts of interest between CFM and its clients and the improper use of material nonpublic information by CFM or its employees.

## **Item 12. Brokerage Practices**

CFM does not act as a broker or agent by effecting public securities transactions directly. The firm determines the broker or dealer to be used to trade securities for our clients based on cost, trading skill and execution. CFM does not receive client referrals, compensation, research, or other products or services other than execution in return for directing client securities transactions. CFM selects certain brokers or third-party managers to execute transactions. CFM's fiduciary duty includes the requirement to seek "best execution" for all directed brokerage transactions on behalf of its clients. The Firm does not frequently trade in individual securities, but in those situations in which the Firm can select a broker for each specific transaction, the Firm will use its best judgment to choose the broker-dealers most capable of providing "best execution" on an overall basis.

CFM generally submits trades (which include fund commitments) for each client separately. If CFM believes that it can effectively obtain best execution for its clients by aggregating trades, it will do so for all clients for which the trades are both suitable and consistent with client investment guidelines and understandings relating to such clients.

## **Item 13. Review of Accounts**

The engagement manager, or their designee, reviews all client accounts periodically to verify that:

- Asset allocations are within appropriate ranges and any exceptions are understood and justified;
- Third party investment manager performance is consistent with stated strategy, market performance, and acceptable risk levels;
- Cash levels are adequate to meet liquidity needs; and
- Portfolios are well-designed to achieve goals going forward.

Clients receive portfolio reporting as frequently as they desire. Some clients choose to receive monthly reporting, while others receive reports less frequently. CFM customizes the presentation and frequency of portfolio reports to satisfy the specific client's needs and desires. Reports are typically delivered electronically or at in-person meetings.

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

CFM is paid by clients according to the descriptions above under Item 5 "Fees and Compensation" and Item 6 "Performance-Based Fees and Side-by-Side Management". CFM does not compensate its employees for referrals. Certain principals at CFM have an ownership interest in Kumu Inc. Kumu is a relationship visualization software platform founded by a member of CFM and utilized by certain CFM

client organizations. CFM clients using Kumu do so at their discretion by paying the standard subscription fee. There are no other arrangements under which partners or employees are compensated for the services they, or the firm, provide to clients.

## **Item 15. Custody**

Rule 206(4)-2 of the Advisers Act (the “Custody Rule”) (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any client funds or securities if the adviser directly or indirectly holds such funds or securities or has the authority to obtain possession of them. Certain principals at CFM serve as trustee, manager, director, officer and/or bank account signer for certain client-controlled entities. As a result, CFM is deemed to have custody of client assets. All client accounts are subject to an annual surprise examination by an independent Certified Public Accountant. CFM has engaged an accounting firm to conduct an annual surprise audit in compliance with the Custody Rule which is registered with the Public Company Account Oversight Board (PCAOB) and subject to inspection.

CFM is required to maintain client funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which we have custody with a “qualified custodian”. Qualified custodians include banks, brokers, futures commission merchants and certain foreign financial institutions. Clients should carefully review the account statements they receive from qualified custodians.

## **Item 16. Investment Discretion**

CFM designs investment plans with varying levels of input from clients. In most cases, clients participate in the initial design of their plan and approve it prior to the investment of capital. In other cases, CFM creates an investment plan that fits a client’s life situation and risk tolerance based on inputs from the client. After the investment plan is finalized, the client determines how much investment discretion CFM exercises. In some cases, CFM has complete discretion to operate within agreed-upon plans. In other cases, clients participate in the approval process for individual investments.

## **Item 17. Voting Client Securities**

Clients can vote the proxies for the shares that they hold, or CFM may vote the proxies on behalf of clients. The determination of who will vote client proxies is based on CFM’s relationship with each client. When CFM votes proxies, it does so pursuant to CFM’s Proxy Voting Policies and Procedures in accordance with Rule 206(4)-6 under the Investment Advisers Act of 1940, which takes client policies, preferences, and wishes into account in determining how to vote each proxy. CFM votes proxies for founders’ stock and other large, direct client holdings after seeking client guidance and direction. In other cases, CFM relies on its understanding of the client to determine if and how the shares should be voted. CFM generally assigns authority over proxy voting to third party managers in the Investment Management Agreement or investment policy statement. CFM generally does not vote proxies for mutual funds or ETFs. CFM will provide information to clients about how securities have been voted, and/or a copy of CFM’s Proxy Voting Policies and Procedures, upon request.

CFM does not handle matters related to class actions or bankruptcy proceedings on behalf of our clients.

## **Item 18. Financial Information**

CFM does not require the prepayment of fees by our clients.

CFM is not aware of any financial condition that is reasonably likely to impair its ability to meet commitments to its clients.

CFM has not been the subject of a bankruptcy petition at any time during the past ten years.