

MACKENSEN & COMPANY, INC.

Fee-Only Financial Planners

FORM ADV DISCLOSURE STATEMENT

DESCRIPTION OF SERVICES & FEES

Mackensen & Company, Inc., ("Mackensen & Company") provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Mackensen & Company is strictly a fee-only financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Investment advice is provided, with the client making the final decision on investment selection. Mackensen & Company does not act as a custodian of client assets. The client always maintains asset control. Mackensen & Company places trades for clients under a limited power of attorney.

The investment strategy for a client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

A written evaluation of each client's initial situation is sent to the client, often in the form of a balance sheet. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

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



Navigating a clear course toward your financial security.

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Client relationships vary in scope and length of service. The following agreements define the typical client relationships:

FINANCIAL PLANNING AGREEMENT

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of all investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of all retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. The fee for a financial plan is predicated upon the facts known at the start of the engagement. The minimum fee is \$3,500 and is not negotiable.

A deposit of 50% of the fee is payable at contract signing. The balance is payable upon delivery of the financial plan.

In the event that the Client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided by mutual agreement. The Client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Additional implementation work is billed separately at a rate of \$200 per hour. Limited scope engagements are also billed at \$200 per hour.

Tax preparation work performed separately from a *Financial Planning Agreement* is billed at an hourly rate of \$150 per hour. Minimum fee for tax preparation is \$300. Eligible federal and applicable state returns are filed electronically without an additional fee.

COMPREHENSIVE FINANCIAL AGREEMENT

Most clients choose to have Mackensen & Company manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for a *Comprehensive Financial Agreement* is provided to the client in writing prior to the start of the relationship. A *Comprehensive Financial Agreement* includes: cash flow management; insurance review; investment management (including performance reporting); education planning; retirement planning; estate

planning; and tax preparation, as well as the implementation of recommendations within each area.

The *Comprehensive Financial Agreement* fee is derived from the value that the relationship will bring to the client's financial situation.

The annual *Comprehensive Financial Agreement* fee is based on a percentage of the investable assets according to the following schedule:

- 2% on the first \$100,000;
- 1.5% on the next \$400,000 (from 100,001 to 500,000);
- 1.0% on the next \$500,000 (from 500,001 to 1,000,000); and
- 0.5% on the assets above \$1,000,000.

The minimum annual fee is \$3,500 and is not negotiable.

Fees are billed quarterly, in arrears. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client asset account to facilitate billing. The client must consent in advance to direct debiting of their account.

Although the *Comprehensive Financial Agreement* is an ongoing process and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

Tax preparation work is performed as an integral part of *the Comprehensive Financial Agreement*. Eligible federal and applicable state returns are filed electronically without an additional fee.

An *Investment Management Agreement* may be executed when financial planning is not provided as part of the relationship. In some circumstances, a *Retainer Agreement* is executed in lieu of a *Comprehensive Financial Agreement* when it is more appropriate to work on a fixed-fee basis. The minimum annual fee for the agreements is \$3,500.

Agreements may not be assigned without client consent.

REGULATORY INFORMATION

Mackensen & Company is a registered investment advisor with the Securities and Exchange Commission. In conjunction with each Client engagement, a copy of Form ADV, Part II, must be delivered to the Client; alternatively, a "brochure" containing the same material information may be provided. This *Form ADV Disclosure Statement* containing the same material information is provided in lieu of Form ADV, Part II.

1. Advisory Services

Mackensen & Company provides investment supervisory services, also known as asset management services, and furnishes investment advice through consultations. On more than an occasional basis, the firm furnishes advice to clients on matters not involving securities, typically financial planning matters and taxation issues.

2. Types of Clients

Primary emphasis is on individuals and small businesses. Clients may also include: pension and profit sharing plans, trusts, estates, charitable organizations, and corporations or other business entities.

3. Types of Investments

Assets are invested primarily in no-load or low-load mutual funds, usually through a discount broker or mutual fund company. The mutual fund company charges each mutual fund shareholder an investment management fee that is disclosed in the mutual fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some mutual funds. Stocks and bonds may be purchased through a brokerage account when appropriate. The brokerage firm usually charges a fee for stock and bond trades. Mackensen & Company does not receive any compensation, in any form, from mutual fund companies.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships. Initial public offerings (IPOs) are not available through Mackensen & Company.

4. Methods of Analysis, Sources of Information, and Investment Strategies

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

The main sources of information are: financial newspapers and magazines, tax-related subscriptions, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the SEC, and company press releases.

Other sources of information that Mackensen & Company may use include: Morningstar CD-ROM mutual fund information, Morningstar CD-ROM stock information, Charles Schwab & Company's "SchwabLink" service, Advisor Intelligence, and the World Wide Web.

The primary investment strategy used on client accounts is asset allocation. Other strategies may include: long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

5. Education and Business Standards

Mackensen & Company requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning. Examples of acceptable coursework include: an MBA, a CFP, a CFA, a ChFC, JD, CTFA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

6. Education and Business Background

Warren J. Mackensen was born on June 30, 1948. He graduated from Assumption Preparatory School, Worcester, Mass., (1966). He has a Bachelor of Science degree from the U. S. Naval Academy (1970); an MBA from the University of Massachusetts at Dartmouth (formerly Southeastern Massachusetts University) (1982); and a Master of Science degree (with emphasis in Financial Planning) from the College for Financial Planning, Denver, CO (1996). He is a Registered Professional Engineer (1979), and a Certified Financial Planner (1989).

He founded and operated Sippican Solar Systems, Inc., Marion, MA, from 1976-1982. He worked for Public Service Co. of NH from 1982-1987. He was General Manager of Seaward Corp., Kittery, ME, from 1987-1989. He worked at Ballentine & Company as a financial planner from 1990-1991. He has operated a tax preparation business since 1985, and began his own financial planning practice in 1991. He is a Member of the National Association of Personal Financial Advisors (NAPFA), and has served six years on the NAPFA Board of Directors.

Warren J. Mackensen is the Chief Compliance Officer of Mackensen & Company.

David A. Batchelder was born January 3, 1969. He graduated from the University of New Hampshire (1991) with a Bachelor of Science in Business Administration. He subsequently earned his Masters in Business Administration from Southern New Hampshire University in 2003. His financial services background includes: Bank of New Hampshire (1992 to 1997); Prime, Buchholz & Associates (1998 to 2000); Tucker Anthony Sutro Capital Markets (2000 to 2001); and Atlantic Management Company, Inc. (2001 to 2004). He is a member of the CFA Institute and earned his Chartered Financial Analyst (CFA) charter in 2001. He joined Mackensen & Company in 2004.

7. Other Business Activities

Mackensen & Company is a fee-only financial planning firm. Investment advice is an integral part of financial planning. In addition, Mackensen & Company advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

Mackensen & Company prepares tax returns. About 15% of the time is spent on tax-related issues during the year. Frequently, tax preparation fees are included in the *Comprehensive Financial Agreement* or *Retainer Agreement*.

Warren J. Mackensen is a shareholder of National Advisors Holdings, Inc. ("NAH"), a Delaware corporation organized in August of 1998. He holds a minority interest (less than 1%) of the outstanding stock of NAH. NAH has formed a federal trust company known as National Advisors Trust Company, which provides trust services to clients of investment advisory firms, such as Mackensen & Company, across the United States. National Advisors Trust Company is regulated by the Office of Thrift Supervision, Washington, DC, and is FDIC-insured.

Warren J. Mackensen owns 100% of ProTracker Software, Inc., Hampton, NH, whose flagship product is ProTracker Advantage®, a client relationship management system used by Mackensen & Company. There are over 1,000 financial advisory people throughout the United States using ProTracker Advantage®.

8. Other Financial Industry Activities or Affiliations: None

9. Participation or Interest in Client Transactions:

Mackensen & Company and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. All trades must be documented on a Trade Record form. Employees comply with the provisions of the Mackensen & Company *Compliance Manual*.

The employees of Mackensen & Company have committed to a *Code of Ethics* that is available for review by clients and prospective clients upon request.

10. Conditions for Managing Accounts

Conditions for each type of relationship are explained under Description of Services & Fees, Financial Planning Agreement, and Comprehensive Financial Agreement.

11. Review of Accounts

Account reviews are performed quarterly by advisors Warren J. Mackensen, CFP, or David A. Batchelder, CFA. Account reviews are performed more frequently when market conditions dictate. Each advisor reviews the accounts of no more than 100 clients.

Account reviewers are members of the firm's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Other conditions that may trigger a review are: changes in the tax laws, new investment information, change in a client's own situation, need to raise cash, etc.

Clients receive periodic communications on at least an annual basis. Annual written updates are provided as a minimum. *Comprehensive Financial Agreement* clients receive quarterly updates. The updates may include a balance sheet, portfolio sheet, tax return (if the client requests tax preparation services), and a summary of objectives and progress towards meeting those objectives.

12. Investment or Brokerage Discretion

When the client executes a limited trading authorization, Mackensen & Company has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, Mackensen & Company consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given. The client approves the custodian to be used and the commission rates paid to the custodian. Mackensen & Company does not receive any portion of the transaction fees or commissions paid by the client to the custodian.

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

Mackensen & Company does not vote proxies on securities. Clients are expected to vote their own proxies. When assistance on voting proxies is requested, Mackensen & Company will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

Mackensen & Company recommends discount brokerage firms and trust companies (qualified custodians), such as Charles Schwab & Co., Fidelity Institutional Wealth Services, National Advisors Trust Company and others. Mackensen & Company is an advisor with Schwab's Institutional Service Group, Fidelity's Institutional Wealth Services, and National Advisors Trust Company. Mackensen & Company does not receive fees or commissions from any of these arrangements.

13. Additional Compensation and Marketing Considerations

Mackensen & Company has paid the National Association of Personal Financial Advisors ("NAPFA") a fee of \$125 to have the Mackensen & Company web site listed on NAPFA's web site. This one-time fee is not dependent upon the number of referrals received as a result of the listing. The only restriction regarding ongoing listing is continued membership in NAPFA.

Mackensen & Company has paid the Financial Planning Association ("FPA") a fee of \$250 to list the Mackensen & Company web site on FPA's web site. Further, Mackensen & Company pays a \$99 annual fee for an enhanced listing. These fees are not dependent upon the number of referrals received as a result of the listing. The only ongoing restriction is continued membership in the FPA.

Mackensen & Company pays a monthly fee of about \$100 to be listed in the Paladin Registry (www.PaladinRegistry.com). The fee is not dependent upon the number of referrals received as a result of the listing.

Mackensen & Company compensates www.WiserAdvisor.com, a web-based client matching service, for referrals. The referral fee is approximately \$50 per referral. The use of this matching service does not increase or otherwise change the advisory fee schedule (cited above) for a client.

Mackensen & Company receives a software maintenance credit of \$700 per year from Charles Schwab & Company because some client assets are custodied at Schwab. This offsets annual maintenance fees for portfolio management software.

14. Balance Sheet

Not required. Mackensen & Company does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$500 and more than six months in advance. Mackensen & Company's Employer Identification Number is: 02-0493699. Warren J. Mackensen is a 90% stockholder. Patricia A. Mackensen is a 10% stockholder.

15. Business Continuity Plan

Mackensen & Company has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people. The Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite. Two alternate offices are identified to support ongoing operations in the event the main office is unavailable.

Mackensen & Company has signed a Shareholder Business Continuation Agreement with another fee-only financial planning firm in New Hampshire to support Mackensen & Company in the event of Warren Mackensen's serious disability or death.

16. Privacy Notice

Mackensen & Company, Inc., is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.