

**Firm Brochure**  
(Part 2A of Form ADV)



**Tellone Management Group, Inc.**  
A Registered Investment Advisor

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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](mailto: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](http://www.adviserinfo.sec.gov)

March 28, 2018

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## Material Changes

The purpose of this page is to inform you of material changes since the previous annual update to our brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

*Tellone Management Group, Inc.* (hereafter, *TMG*) reviews and updates our brochure at least annually to confirm that it remains current. Below is a summary of the material changes made to our brochure since the previous annual update.

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.

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## 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 their clients' financial goals and objectives, using what they believe to be the most efficient methods available. 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 provide superior returns 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 demonstrate an 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 the top-down, *TMG* has adopted this stance of putting client's first since day one. *TMG* stands for transparency in our reasoning and our investment management because it is the right way to operate. This is aided by the fact that *TMG* is independent, fee-only, and 100% employee-owned, meaning that solutions are based on client needs, period. *TMG* is not swayed by outside shareholders, internal quarterly earnings, commission payments, 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 investment advisory business that is focused on providing personalized investment advice. 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 individuals, partnerships, corporations, and trusts. 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, retirement accounts, trusts, 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.

### **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.

### **Agreements**

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.

### **Retainer Agreement**

Specific client relationships that include an ongoing delivery of multiple services may be provided on a retainer basis. These relationships will be documented with a detailed client retainer agreement.

### **Investment Management Agreement/Client Profile**

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

## Assets Under Management

*TMG* manages client assets in discretionary accounts on a continuous and regular basis. As of 12/31/2017, the total amount of discretionary assets under our management was \$404,604,675.

## 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 non-discretionary accounts or those not involving direct supervisory services, 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.



## 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.

## 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.

### Account Minimums

Presently, there is no established minimum to open a Separate Account. The limited partnerships that *TMG* manages have minimums pre-established in their partnership agreements and these would be discussed when opening such an account.

## 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., as well as Fidelity Investments, *TMG* has access to the Schwab & Fidelity research departments 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 top level 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 for 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.

The *TMG* philosophy of active management means that the Investment Committee is proactive in identifying trends and making necessary adjustments. *TMG* has full discretion to 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* 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 of 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.

## **Other Financial Industry Activities and Affiliations**

### **Financial Industry Activities**

Tellone Financial Services, Inc., whose President is Dean C. Tellone, is an accounting firm and is a related party to *TMG*. Tellone Financial provides financial planning, 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.

### **Affiliations**

*TMG* is also a general partner in four partnerships in which clients are solicited to invest. The partnerships are as follows: Pure Growth, L.P., Select Fixed Income, L.P., Tellone Mortgage Fund, L.P., and Hall Mortgage Fund, L.P.. The partnerships are organized to offer various investment allocations to applicant's clients. They contain one or more of the following: equities, bonds, mutual funds, options, mortgages, cash, and money market funds.

## **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.

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## 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

*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. Charles Schwab and Fidelity make available products and services that may be used to service all or a substantial number of *TMG*'s accounts, including accounts not maintained with these brokers. Charles Schwab and Fidelity make 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.

Fidelity also provides other benefits such as educational events or conferences on practice management, regulatory compliance, information technology, and business success. Fidelity may discount or waive fees it would otherwise charge for some of these services, reimburse *TMG* for the cost of conferences or related expenses, or pay all or a part of the fees of a third party providing these services to *TMG*. Additionally, *TMG* has entered into an agreement with Charles Schwab where we receive an economic benefit to be used toward technology related expenses.

### **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 or Fidelity may not participate in aggregated orders or may incur additional ticket charges. As a result, accounts custodied away from Charles Schwab or Fidelity 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**

*TMG* reviews managed client accounts at least on a quarterly 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. *TMG's Portfolio Managers* will head all account reviews with assistance from the staff related to *TMG*.

### **Review Triggers**

In addition to quarterly periodic client account reviews, *TMG* will review accounts when deemed necessary by significant changes in the economic environment, stock fundamentals, and sector emphasis. Other review triggers would be implemented by client requests and client specific events.

### **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**

*TMG* manages six limited partnership investment funds. Account holders of these limited partnership accounts receive monthly statements. There are no quarterly or biannual reports delivered as the statement shows both the monthly rate of return as well as the year-to-date rate of return. As required, these limited partnership accounts are audited annually by a certified accounting firm. *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 standards intended to protect client assets in such situations, which we follow. Holders of accounts established with Charles Schwab & Co., Inc. Fidelity Investments, or Millennium Trust Co. receive monthly reports for their Separate Accounts.

## **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**

In most cases *TMG* will hold discretionary authority over client accounts. However, clients also have the right to limit the trading done by *TMG* in their Separate Accounts. Some clients have certain stocks that have preferred status with the client. The client should establish upfront that these stocks are not to be traded or sold for any reason.

## **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.

## **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**  
**Derek S. Pantele**  
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(714) 998-2290

**March 28, 2018**

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 Derek Pantele 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](http://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®”)<sup>i</sup>

Enrolled Agent (“EA”)<sup>ii</sup>

**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.

**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, Derek S. Pantele, Chief Compliance Officer, reviews Dean C. Tellone's personal trading. Derek S. Pantele 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

*Business Background:*

01/1992 – Present: Tellone Management Group, Inc., Vice President of Investments

01/1992 – Present: Tellone Financial Services, Inc., Vice President

01/2003 – 03/2017: Tellone Management Group, Inc., Chief Compliance Officer

**Professional Designations**

CERTIFIED FINANCIAL PLANNER™ (“CFP®”)<sup>i</sup>

**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 compensation comes from his activities with *TMG*.

**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.

**Derek S. Pantele, CFP®, CFA®****ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Derek S. Pantele**, Chief Compliance Officer, b. 1985

*Education:*

Bachelor's degree in Economics, University of California, Berkeley, 2007

*Business Background:*

08/2007 – Present: Tellone Management Group, Inc., Chief Compliance Officer (03/2017 – Present), Director of Portfolio Management (04/2015 – Present), Associate Portfolio Manager (02/2013 – 04/2015), Investment Analyst (08/2007 – 02/2013)

08/2007 – Present: Tellone Financial Services, Inc., Secretary (12/2015 – Present), Director (04/2015 – Present), Associate (02/2013 – 04/2015), Analyst (08/2007 – 02/2013)

**Professional Designations**

CERTIFIED FINANCIAL PLANNER™ (“CFP®”)<sup>i</sup>

Chartered Financial Analyst® (“CFA®”)<sup>iii</sup>

**ITEM 3 - DISCIPLINARY INFORMATION**

Derek S. Pantele has no disciplinary history to disclose.

**ITEM 4 - OTHER BUSINESS ACTIVITIES**

Derek S. Pantele also serves as the Secretary of Tellone Financial Services, Inc.

**ITEM 5 - ADDITIONAL COMPENSATION**

Derek S. Pantele's compensation comes from his activities with *TMG*.

**ITEM 6 - SUPERVISION**

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

## End Notes

<sup>i</sup> 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.

<sup>ii</sup> 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](http://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

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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.

iii The **Chartered Financial Analyst** (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

#### **High Ethical Standards**

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

#### **Global Recognition**

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment.

Additionally, regulatory bodies in 22 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

#### **Comprehensive and Current Knowledge**

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning. The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).