

**FORM ADV****Uniform Application for Investment Adviser Registration****Part II - Page 1****OMB APPROVAL**

OMB Number 3235-0049

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Name of Investment Adviser:

**The Financial Advisory Group, Inc.**

Address: (Number and Street) (City) (State) (Zip Code)

**5599 San Felipe, Suite 900, Houston, TX 77056**

Area Code: Telephone Number:

**713-627-7660**

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any government authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**FORM ADV****Part II - Page 2**

Applicant:

**The Financial Advisory Group, Inc.**

SEC File Number:

**801-54599**

Date:

**03/03/2010**

## Definitions for Part II

Related person -- Any officer, director or partner of applicant or any person directly or indirectly controlling, controlled by, or under common control with the applicant, including any non-clerical, non-ministerial employee.

Investment Supervisory Services -- Giving continuous investment advice to a client (or making investments for the client) based on the individual needs of the client. Individual needs include, for example, the nature of other client assets and the client's personal and family obligations.

**1. A. Advisory Services and Fees.** (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service.

(See instruction below.)

Applicant:

- |                                     |     |  |     |
|-------------------------------------|-----|--|-----|
| <input checked="" type="checkbox"/> | (1) | Provides investment supervisory services . . . . .   | 50% |
| <input type="checkbox"/>            | (2) | Manages investment advisory accounts not involving investment supervisory services . . . . .   | %   |
| <input type="checkbox"/>            | (3) | Furnishes investment advice through consultations not included in either services described above . . . . .  | %   |
| <input type="checkbox"/>            | (4) | Issues periodicals about securities by subscription . . . . .  | %   |
| <input type="checkbox"/>            | (5) | Issues special reports about securities not included in any service described above . . . . .  | %   |
| <input type="checkbox"/>            | (6) | Issues, not as part of any services described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities . . . . . | %   |
| <input checked="" type="checkbox"/> | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities . . . . .  | 50% |
| <input type="checkbox"/>            | (8) | Provides a timing service . . . . .  | %   |
| <input type="checkbox"/>            | (9) | Furnishes advice about securities in any manner not described above . . . . .  | %   |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

**B.** Does the applicant call any of the services it checked above financial planning or some similar term? . . . . .

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>

**C.** Applicant offers investment advisory services for: (check all that apply):

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management      | <input type="checkbox"/> (4) Subscription fees |
| <input checked="" type="checkbox"/> (2) Hourly charges                               | <input type="checkbox"/> (5) Commissions       |
| <input checked="" type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input type="checkbox"/> (6) Other             |

**D.** For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of Clients** -- Applicant generally provides investment advice to: (check those that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> A. Individuals                      | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/> B. Banks or thrift institutions                | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies                        | <input type="checkbox"/> G. Other (describe on Schedule F)   |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans |  |

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> A. Equity Securities                   | <input checked="" type="checkbox"/> H. United States government securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities         |  |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter | <input type="checkbox"/> I. Options contracts on:                          |
| <input checked="" type="checkbox"/> (3) foreign issues                     | <input checked="" type="checkbox"/> (1) securities                         |
|  | <input type="checkbox"/> (2) commodities                                   |
| <input checked="" type="checkbox"/> B. Warrants                            | <input type="checkbox"/> J. Futures contracts on:                          |
| <input checked="" type="checkbox"/> C. Corporate debt securities           | <input type="checkbox"/> (1) tangibles                                     |
| (other than commercial paper)  | <input type="checkbox"/> (2) intangibles                                   |
| <input checked="" type="checkbox"/> D. Commercial paper                    | <input type="checkbox"/> K. Interests in partnerships investing in:        |
| <input checked="" type="checkbox"/> E. Certificates of deposit             | <input checked="" type="checkbox"/> (1) real estate                        |
| <input checked="" type="checkbox"/> F. Municipal securities                | <input type="checkbox"/> (2) oil and gas interests                         |
|  | <input type="checkbox"/> (3) other (explain on Schedule F)                 |
| <input type="checkbox"/> G. Investment company securities                  | <input type="checkbox"/> L. Other (explain on Schedule F)                  |
| <input checked="" type="checkbox"/> (1) variable life insurance            |  |
| <input checked="" type="checkbox"/> (2) variable annuities                 |  |
| <input checked="" type="checkbox"/> (3) mutual fund shares                 |  |

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

## A. Applicant's security analysis methods include: (check those that apply)

- |   |  |
|---|--|
| (1) <input type="checkbox"/> Charting               | (4) <input checked="" type="checkbox"/> Cyclical           |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input type="checkbox"/> Technical              |  |

## B. The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services  |
| (2) <input type="checkbox"/> Inspections of corporate activities              | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases  |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input checked="" type="checkbox"/> Other (explain on Schedule F)   |

## C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |   |
|--|---|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions   |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input checked="" type="checkbox"/> Option writing, including covered options,<br>uncovered options or spreading strategies |
| (3) <input type="checkbox"/> Trading (securities sold within 30 days)                            | (7) <input type="checkbox"/> Other (explain on Schedule F)  |
| (4) <input checked="" type="checkbox"/> Short sales  |   |

**FORM ADV****Part II - Page 4**

Applicant:

The Financial Advisory Group, Inc.

SEC File Number:

801-54599

Date:

03/03/2010

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? .....

Yes No  
☒ ☐

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- formal education after high school
- year of birth
- business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- ☒ A. Applicant is actively engaged in a business other than giving investment advice.
- ☒ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm                                       |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm  |
| <input type="checkbox"/> (3) other investment adviser  | <input type="checkbox"/> (9) insurance company or agency                           |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? .....

Yes No  
☐ ☒

(If yes, describe on Schedule F the partnerships and what they invest in.)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Applicant:

The Financial Advisory Group, Inc.

SEC File Number:

801-54599

Date:

03/03/2010

**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☒ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? . . . . .

Yes No  
☒ ☐

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

**The underlying securities in client accounts are continuously monitored. On a monthly basis, all accounts are reconciled by electronic means between The Financial Advisory Group Inc.'s (FinGroup's) portfolio accounting/management system (Advent Software's AXYS) and the custodian records of FinGroup's primary sources, Schwab Institutional and Merrill Lynch.**

**Comprehensive account reviews occur at least four times per year, concurrent with preparation of the clients' household quarterly report. This level of review considers account performance and suitability in the context of household asset allocation targets, preferred security selections, taxes and liquidity considerations.**

**Additional account reviews may occur as a result of material triggering factors. These factors may include, but are not limited to, the deposit of incremental cash or securities (reviewed daily), client-specified need for cash withdrawals, a change in client risk profile (goals, resources, lifestyle, spending plans, risk tolerance or risk capacity), change in firm asset allocation targets, change in firm security selection preferences and intra-quarter client meetings.**

**The principals of the firm, Steven A. Estrin and Richard J. Alphonso, have responsibility for specific client relationships (numbering between 60 and 175 each), including ongoing monitoring of client investments and periodic reviews of client portfolios. An employee of the firm, Darryl A. Nelson, also has responsibility for specific client relationships.**

- B. Describe the nature and frequency of regular reports to clients on their accounts.

**Applicant primarily uses and recommends Schwab and Merrill Lynch for custody and trading. Each client receives monthly statements and regular transaction confirmations from these custodians. Applicant also maintains its own portfolio accounting/management systems electronically linked to Schwab and Merrill Lynch. On a quarterly basis, Applicant delivers printed reports to clients detailing account positions and performance information.**

**Clients also may access their investment accounts through Schwab's website, [www.SchwabAlliance.com](http://www.SchwabAlliance.com), and Merrill's website, [www.ML.com](http://www.ML.com).**

**FORM ADV****Part II - Page 6**

Applicant:

**The Financial Advisory Group, Inc.**

SEC File Number:

**801-54599**

Date:

**03/03/2010****12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

(1) securities to be bought or sold? . . . . .

Yes No

☒ ☐

(2) Amount of the securities to be bought or sold? . . . . .

Yes No

☒ ☐

(3) broker or dealer to be used? . . . . .

Yes No

☒ ☐

(4) commission rates paid? . . . . .

Yes No

☒ ☐

B. Does applicant or a related person suggest brokers to clients? . . . . .

Yes No

☒ ☐

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4), or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the product, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? . . . . .

Yes No

☒ ☐

B. directly or indirectly compensates any person for client referrals? . . . . .

Yes No

☒ ☐

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities; or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? . . . . .

Yes No

☐ ☒**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>The Financial Advisory Group, Inc.</b>	<b>801- 54599</b>	<b>03/03/2010</b>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in item 1A of Part I of Form ADV: <b>The Financial Advisory Group, Inc.</b>	IRS Empl. Ident. No.: <b>76 – 0536640</b>
Item of Form (identify)	Answer
<b>1D.</b>	<p><b><u>SERVICES PROVIDED</u></b></p> <p>Applicant, ("FinGroup") is a fee-only investment management, financial planning, and tax preparation firm. FinGroup renders "comprehensive" financial planning and other related financial advisory services to individuals. The "fee-only" compensation arrangement assures that FinGroup receives no commissions or any compensation or material gifts from any non-client source in order to influence the delivery of services to clients. Clients can elect to receive all three services, only one service, or a combination of two services.</p> <p><b><u>FEES</u></b></p> <p>Although fees are negotiable, the basic fee for investment management services is applied to a "percentage of assets" under the following sliding schedule:</p> <ul style="list-style-type: none"> <li>- \$500,000 and less, 1.00%</li> <li>- \$500,001 to \$1,000,000, 0.75%</li> <li>- \$1,000,001 and up, 0.50%</li> </ul> <p>The management fee is for the selection and monitoring of investments. Our investment philosophy focuses on the achievement of long-term, consistent returns through the use of both value and growth investment styles. We invest directly in publicly-traded equities, no-load mutual funds, exchange-traded funds, private placements and fixed income securities, including corporate and municipal bonds. Since client investments usually include mutual funds or money market funds, FinGroup transacts shares of these funds at the published net asset value ("NAV"). The fund NAV represents gross investment assets, net of management fees and expenses of the fund company, which are separate and apart from the FinGroup's fees and expenses.</p> <p>The basic fee for financial planning services is based on the complexity of a client's account(s) and ranges from \$1,000 and up for "comprehensive" work and can be reduced for "focused" planning. Fees for tax preparation vary depending on the complexity of the client's tax situation.</p> <p>FinGroup charges a blended fee, if the client elects more than one service, which is normally less than the aggregation of individually-priced services. The blended fee is based on factors such as market competitive pricing, fees charged existing clients in same geographical location, and client longevity. Fees are negotiable, vary by client, and are payable quarterly in advance. Fee agreements must be approved by either Richard Alphonso or Steve Estrin.</p> <p>FinGroup and its clients sign FinGroup's Advisory Agreement, which details the timing and payment of fees, procedures for refunds, and early termination provisions. The Advisory Agreement contains "evergreen" automatic annual renewals, although the Advisory Agreement may be terminated by either party at any time by written notice. At termination of the Advisory Agreement, the "residual" (prorated unearned portion of the current quarterly segment) of the fee is refunded. Clients may also terminate the Advisory Agreement within 5 days of the date the agreement is signed by the client without paying any fees.</p> <p><b><u>PROXY VOTING</u></b></p> <p>FinGroup does not have the authority to vote proxies, unless specific written authorization is provided by the client. FinGroup's policy is to not vote proxies and historically has not voted proxies. The client retains the authority and any responsibility for voting proxies.</p>

4B(8).

**ADDITIONAL SOURCES OF INFORMATION FOR INVESTMENT STRATEGIES**

In addition to the sources listed in question 4B, FinGroup interviews mutual fund managers regarding their investment strategy to gain insight into potential mutual fund investments for FinGroup clients. None of these mutual funds, or mutual fund managers are related parties. All mutual fund investments are made "at market" through a custodian.

5.

**STANDARDS FOR INVESTMENT ADVISORS**

FinGroup's standards for investment advisors include a college degree with a business specialty and substantial experience in the investment advisory industry.

Additionally, each investment advisor dispensing investment advice must satisfy applicable U.S. Federal and state (including Texas) standards for becoming a registered investment advisory representative, including, if applicable, NASD Licenses 2, 7, 63, and/or 65, unless, of course, the applicant satisfies an exemption from examination in the case of achieving the Chartered Financial Analyst ("CFA") designation or the Certified Public Accountant/Personal Financial Specialist ("CPA/PFS") designation or similar credentials recognized by U.S. Federal and state regulators.

6.

**INVESTMENT COMMITTEE MEMBERS' EDUCATION AND BUSINESS BACKGROUND**

Presently, the FinGroup's Investment Committee is comprised of Steven A. Estrin, and Richard J. Alphonso, owners of the Company, as well as Curtis Holden, an employee of the Company. The Committee establishes broad investment strategies used to advise clients. Information on the members is as follows:

Name/Title: Steven A. Estrin, Chairman/Chief Compliance Officer

Born in Year: 1944

College Education: Mr. Estrin has an undergraduate degree in business from the University of Minnesota and a Masters degree in Business Administration from the University of Texas.

Professional Credentials: Mr. Estrin holds NASD Series 2 ("SEC/NASD Non-member General Securities Exam") and 65 ("Uniform Investment Advisor Law Examination") licenses.

Business Experience: Mr. Estrin has been an owner of FinGroup since 1997. Prior to co-forming FinGroup with Mr. Alphonso, Mr. Estrin worked extensively in the investment advisory industry with several firms.

Name/Title: Richard J. Alphonso, President

Born in Year: 1961

College Education: Mr. Alphonso holds a Bachelor of Science degree in Accounting and a Master of Science degree in Tax Accounting, both from the University of New Orleans. Mr. Alphonso also holds a Juris Doctor degree from Tulane Law School.

Professional Credentials: Mr. Alphonso is a Member of the Louisiana State Bar, the United States Tax Court Bar and holds CPA licenses from Texas and Louisiana. Mr. Alphonso holds the Personal Financial Specialist (PFS) designation conferred by the American Institute of Certified Public Accountants (AICPA). Mr. Alphonso holds NASD Series 2 ("SEC/NASD Non-member General Securities Exam") and 65 ("Uniform Investment Advisor Law Examination") licenses.

Business Experience: Mr. Alphonso has been an owner of FinGroup since 1997. Prior to forming FinGroup, Mr. Alphonso worked extensively in the investment advisory industry and in public accounting for a major national accounting firm.



Name/Title: Curtis J. Holden

Born in Year: 1974

College Education: Mr. Holden has a BBA and Master of Science in Finance from the University of Houston.

Professional Credentials: Mr. Holden holds the Chartered Financial Analyst (CFA) designation.

Business Experience: Mr. Holden has over seven years of investment advisory experience. Prior to joining FinGroup in 2005, Mr. Holden was an Assistant Vice President in the trust department of a major bank.

**BUSINESSES OTHER THAN PROVIDING INVESTMENT ADVICE**

7. As previously discussed, FinGroup provides financial planning and tax preparation services in addition to investment advisory services. FinGroup and its executive officers consider their principal business to be providing investment advice.

**BUSINESSES UNDER COMMON OWNERSHIP**

The Principals of the FinGroup are also owners in The Practice Advisory Group, LLC ("PAG") and Back Office Support Services, LLC ("BOSS"). PAG is primarily engaged in the business of providing practice management services for medical service providers, such as doctors and dentists, and their entities. BOSS mainly provides bookkeeping and management services for an unaffiliated investment advisory firm and their clients.

Neither entity is in the business of advising others regarding the purchase and sale of securities. Fee structures, as well as services provided by both entities, are entirely separate from FinGroup. Currently, some FinGroup clients are also PAG clients.

**9D. RECOMMENDATION OF INVESTMENT IN WHICH FINGROUP HAS AN INTEREST**

FinGroup does not on a regular basis recommend to its clients that they buy or sell securities or investment products in which the FinGroup has some financial interest. The following exception is noted:

- FinGroup has entered into agreements with KM-YH Partners, LP, KM-TS Partners, LP, and KM-1488, limited partnerships organized to own, develop, manage and operate commercial real estate. Under these agreements, FinGroup will advise and consult with the General Partners, for and on the behalf of the Limited Partners, regarding the structuring of the units offering and thereafter monitoring and reporting on the activities of the partnerships. The partnerships will pay FinGroup for time expended by its professional personnel at standard hourly rates. This compensation is not contingent upon the number of units subscribed in the offering and is based solely upon the time expended.

**FINGROUP PURCHASE AND SALE OF SECURITIES THAT CLIENTS OWN**

- 9E. FinGroup does not purchase or sell securities for its own account. But, related persons of FinGroup (members, officers, employees, etc.) may have investment portfolios with securities identical or similar to the securities recommended to clients. From a philosophical perspective, FinGroup believes that the same securities recommended to clients are suitable for investment by related persons of FinGroup, albeit in proportions consistent with each risk-reward profile. The investment recommendations made by the FinGroup to its clients consist mainly of investments in regulated investment companies (i.e. mutual funds), individual common stocks, and fixed income securities. Securities purchased and sold by related persons are on the same basis as clients.

FinGroup's purpose for tracking personal securities transactions of related persons is to identify inappropriate trading practices and to enable FinGroup to take corrective action. FinGroup maintains a personnel policy in its written Compliance Procedures that requires the following procedures be followed by any related party of FinGroup in establishing and maintaining a portfolio of securities:

- Related parties are encouraged to establish investment account(s) with FinGroup's preferred broker-dealers (i.e. Schwab Institutional or Merrill Lynch). Employees must obtain approval from Steven Estrin, Chief Compliance Officer, to establish personal accounts with other broker-dealers.
- Employees are required to submit Personal Security Transaction reports to Steven Estrin within 10 days of the end of each calendar quarter.
- Employees are required to provide a listing of all security holdings within 30 days after the end of each calendar year.
- In no event may a trade of a related person's securities precede trades for clients.

#### **CODE OF ETHICS**

FinGroup has adopted a Code of Ethics, applicable to itself and to all of its employees. The code requires that the interests of clients be placed ahead of the firm's or any employee's own investment interests, that employees exercise diligence to maintain clients' confidential information, that employees comply with the FinGroup's policies and procedures regarding the conduct and reporting of personal securities transactions, and that employees report any violation of these policies to FinGroup's Chief Compliance Officer. A complete copy of the Code of Ethics will be provided upon request.

10.

**CONDITIONS FOR MANAGING ACCOUNTS**

FinGroup generally imposes a minimum annual fee for investment management services of \$5,000. Exceptions include providing services for parties related to existing clients when FinGroup believes the economies of scale are such that charging a lower fee for the incremental work is beneficial to both FinGroup and the client.

12B.

**RECOMMENDATION OF BROKERS TO CLIENTS**

Under FinGroup's Investment Management Agreement, the client authorizes FinGroup to direct broker to execute trades in client's account (Limited Power of Attorney). FinGroup currently recommends the selection of either Charles Schwab & Co., Inc. ("Schwab"), Merrill Lynch ("Merrill"), or American Funds (for \$529 plans), as the broker (collectively, the "Brokers") to custody securities and execute trades. Concurrent with the application for custodial accounts with the Brokers, clients will further acknowledge Limited Power of Attorney with respect to authorization of securities trading at the direction of FinGroup.

FinGroup shall invest and reinvest the assets of the client's account in such securities as it deems in the best interest of the client to achieve the investment objective designated by the client. FinGroup's authority may be subject to conditions imposed by clients, examples of which include:

- The client directs the purchase of a security that would not have been recommended by FinGroup;
- The client directs that transactions be effected through specific broker-dealers.

FinGroup will generally use the brokerage discretion granted by clients to place client trades with Schwab or Merrill. FinGroup negotiates the commissions with the Brokers and other selected broker-dealers. When electing to use a Broker, or another broker-dealer, FinGroup bases its decisions on a number of factors, including:

- Transactions costs;
- Competency of back office support;
- Accessibility to FinGroup's recommended securities;
- Accessibility to technological tools that facilitate efficient transactions and client administration.
- Some clients request a full-service broker such as Merrill.

FinGroup acknowledges that lower transaction costs may be available from other broker-dealers. However, FinGroup might incur larger administrative expenses in dealing with inferior back office systems as a result of pursuing low-transaction-cost platforms. Such additional costs would likely require FinGroup to charge higher fees to clients.

In summary, FinGroup believes that the Brokers provide the best mix of effective and efficient trade execution, back office support, and services directly beneficial to clients (e.g. the SchwabAlliance website), for a reasonable price.

13A.

**ECONOMIC BENEFITS FROM NON-CLIENTS**

Schwab Institutional provides FinGroup with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors at no charge to them so long as a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab Institutional. Schwab Institutional's services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. Schwab Institutional also makes available to FinGroup other products and services that benefit FinGroup but may not benefit its clients' accounts. Some of these other products and services assist FinGroup in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of FinGroup's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of FinGroup's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional may also provide FinGroup with other services intended to help FinGroup manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to FinGroup by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to FinGroup. The availability to Advisor of the foregoing products and services is not contingent upon Advisor committing to Schwab Institutional any specific amount of business (assets in custody or trading).

FinGroup is also provided research services by Merrill Lynch in the form of Merrill proprietary research and non-Merrill, third-party research without any direct charge to FinGroup. This research is available directly to all Merrill Lynch clients. FinGroup uses said research for the benefit all firm clients.

13B.

**COMPENSATION FOR REFERRALS**

FinGroup maintains a standing offer to compensate employees for new client referrals. At this date, FinGroup has not paid any such compensation to employees.

FinGroup does not directly compensate outside parties for referrals or have any formal arrangements, oral or in writing, to directly or indirectly compensate outside parties