

Keep For Your Records

**Berg Faircloth Investment Advisors Corporation
Form ADV Part II**

**BFIA—Form ADV Part II
BFIA Corp**

- *Federally registered with the Securities and Exchange Commission (SEC), domiciled in Virginia*
- *Affiliated with Berg Faircloth & Co., Certified Public Accountants, established 1960*
- *www.b-f-c.com*

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Introduction

BFIA is a federally registered firm with the Securities and Exchange Commission (SEC). The following is information about BFIA and its business for the use of clients. The information has not been approved or verified by any governmental authority. The information herein is designed to provide an overview of our business and portfolio management styles. It is also designed to fulfill the disclosure requirements under the SEC “Brochure Rule” (Form ADV Part II).

Portfolio Management Discussion

- **Long-Term Trends** determine which *type* of investment to make (i.e. growth vs. value or income producing investments).
- **Short-Term Cycles** determine market and sector *entry* and *exit* points.

Trends may take months or even years to play out. Cycles, on the other hand, usually last only a few weeks to a few months. Trends are a greater reflection of movement in the overall markets, while cycles often are short-term reactions to events or investor perceptions. When investing, we look to avoid making investment decisions based on short-term market cycles. Instead, we look for the developing trend to determine where to invest long-term dollars.

Portfolio Investments

While trends determine strategies in specific market segments (interest rate sensitive, growth, value, small cap vs. large cap), and cycles determine when to actually trade, perhaps the most daunting task is arriving at the best combination of investments for a particular portfolio in a given market environment. There are literally hundreds of thousands of investment choices in today’s market. We primarily utilize the universe of no-load mutual funds available to us to manage dollars. At times we may utilize individual stocks and bonds as conditions and/or investment objectives warrant.

Managed Stock Mutual Fund Investing

When the trends and/or client investment objectives call for growth mutual fund allocations, we look for those funds that have been performing well in the most recent and trailing 12-months' market environment. In this fashion, we allocate to those that are performing based on the current market environment. As the trend changes and/or the performance wanes, we allocate out of existing position(s) in favor of the new performers. While we consider performance in the short and medium term, we do not try to "time" the market. **This may or may not result in a portfolio with a diversified asset allocation.**

The following criteria are evaluated when selecting a mutual fund:

- Availability for New Investments
- Actual Performance over the Following: 1-Month, 3-Month, 6-Month, 12-Months
- Current portfolio allocations
- Relative Performance vs. Peer Fund Group in the Trailing 12 Months
- Historical Risk vs. Reward Relationship
- Volatility as Measured by Standard Deviation
- Morningstar Ranking / long-term performance, if applicable
- Load vs. No Load or Transaction Fees

Lack of continued performance is the primary criteria used to deselect a particular mutual fund. Trend changes are secondary.

Stock Investing

When the client investment objectives call for investing in individual stocks, we look for fundamentally sound stocks. On occasion, a client will request that we buy a particular stock for their portfolio, or they will already be holding stocks when we open their account. In that case, we will provide insight on those investments and make recommendations accordingly.

Specific Client Portfolio Management

Specific portfolios are managed in accordance with the client investment objective(s) coincidental to the current trends. Typically, we manage accounts on a discretionary basis. This means that the client provides us written authorization to make all trades and investment decisions on the client's behalf. If the client desires to own specific investments, we provide insight on those investments and make recommendations accordingly. Upon request, we also manage accounts on a non-discretionary basis, where the client requests to be contacted before any trades are made or the client chooses to make their own investment decisions. If a client would prefer a non-discretionary account, they must notify us so that we can provide the appropriate Client Services Agreement.

In Conclusion

The following is a broad recap of how we use trends, cycles and specific selection criteria to manage portfolios.

- Trends determine where, in general, investments should be allocated
- Cycles determine when to actually make the investment(s)
- Consistent performance and high rankings determine mutual fund allocations
- Increasing investment demand in favored markets and sectors determines stock selections
- Increasing broad market performance along positive trends dictates general index investing

This discussion is designed to provide insight to our portfolio management process. To learn in much greater detail how decisions are made, we encourage and welcome questions about our strategies and investment decisions.

Advisory Services and Fees

BFIA provides investment supervisory services to clients involving a full review of client needs, objectives, risk tolerance and suitability, as well as present investment portfolio. We then provide a recommended investment program designed to accomplish the defined parameters. The investment program services provided by BFIA include:

- Continuing review and monitoring of client portfolio and relating to client predefined investment objectives.
- Provide portfolio tracking and reporting services.
- Discretionary and non-discretionary account portfolio management, depending on client needs and objectives.

For its services, BFIA charges a fee to the client. This fee is either an hourly fee or an “assets under management” fee calculated and billed quarterly in advance.

The fee schedule is designed for two levels of service:

Level 1: Clients who wish to utilize our expertise (i.e. quarterly reporting, asset allocation, etc.) other than asset management. The fee will be billed an hourly rate at the then current hourly bill rate of the BFIA representative.

Level 2: Clients who wish to utilize our full asset management, tracking and reporting services. Our fee is the greater of:

<u>Account Value</u>	<u>Quarterly Fee</u>	<u>Annualized Fee</u>
First \$ 100,000	.4375%	1.75%
Next \$ 900,000	.375%	1.5%
Next \$1,000,000	.3125%	1.25%
Next \$3,000,000	.25%	1.0%
Above \$5,000,000	.1875%	.75%

Quarterly Fee Deductions

Accounts are aggregated for clients with multiple accounts and the fee charged is a function of total assets under management.

Payment of fees to BFIA will be in the form of payment at time of service for non-asset based fees.

Asset based fees will be calculated, billed and deducted directly from client investment account on a calendar quarter basis after written authorization has been received. New accounts opened during a calendar quarter are billed initially for the days from inception to the end of the calendar quarter based on the inception value.

Subsequent quarterly asset-based fees are billed quarterly in advance based on assets held on the last reporting day of the immediately preceding calendar quarter.

All advisory agreements may be cancelled upon 20 days written notice to BFIA. Unearned but paid fees will be refunded to client on a pro rata basis assuming a 90 day calendar quarter.

Each associated person of BFIA attempts to review his or her client's accounts on at least a quarterly basis. This review is for the purpose of analyzing current asset allocations, monitoring suitability to client's investment objective(s), and making necessary recommendations and adjustments, if any.

It is recognized that significant life changing events can cause changes to client investment objectives. In such case, or at client or BFIA request, an account will be reviewed more frequently than quarterly.

In all cases, the minimum bill for services is for one hour at the then current bill rate of the BFIA representative.

Types of Clients

BFIA Corp. provides investment advice to individuals, pension and profit sharing plans, trusts, estates, and corporations or business entities. While BFIA does provide investment advice and services, BFIA does not perform the pension administration on pension and profit sharing plans.

Types of Investments

BFIA Corp. offers advice on equity securities, warrants, corporate debt securities, certificates of deposit, municipal securities, variable life insurance, variable annuities, mutual fund shares, United States government securities, options contracts on securities, and partnerships investing.

Methods of Analysis, Sources of Information, and Investment Strategies

BFIA Corp. uses a variety of methods to analyze securities. We use financial newspapers and magazines, research materials prepared by known research companies, corporate rating services and annual reports, prospectuses, and filings with the SEC.

Investment advice offered to our clients may be implemented through long and short-term purchases, margin transactions and option writing. Strategies such as margin trading and option writing may not be suitable for all clients. We will take each and every client's individual situation into account when making these decisions.

Education and Business Standards

BFIA Corp. requires all associated investment advisor representatives to obtain the industry required licensing prior to providing investment advice to clients. Additionally, we mandate that all associated investment advisor representatives adhere to industry continuing education requirements and encourage related education above industry standards.

BFIA's Principal is Ricky L. Faircloth, CPA, PFS.

Ricky L. Faircloth, CPA, PFS, born in 1958, received his BBA in Accounting from George Washington University in 1980. Rick began his professional career as an accountant with Berg Faircloth and Company in 1980. He passed the Uniform CPA Examination in 1984 and received his CPA designation from Virginia, Maryland and the District of Columbia. Rick was promoted to President of Berg, Faircloth and Company in 1992 where he continues to advance his CPA profession. Rick obtained his Personal Financial Specialist (PFS) designation in 2005. Rick is a Registered Representative of Cambridge Investment Research Inc., a Broker/Dealer member FINRA/SIPC. In addition to his CPA and PFS designations, Rick holds the following securities/investment industry licenses:

- § General Securities Representative (Series 7)
- § Uniform Securities Agent State Law (Series 63)
- § Uniform Investment Adviser (Series 65)
- § General Securities Principal (Series 24)
- § Financial and Operations Principal (Series 27)

Sandra S. Presgraves, born in 1967, received her BBA in Finance from James Madison University in 1989 and her MBA in Finance from Indiana University in 1991. Sandra began her professional career as a registered representative with Prudential Preferred Financial Services in 1991, where she gained an in-depth knowledge of life insurance, disability insurance, mutual funds and annuities. In 1996, Sandra became affiliated with a small Washington, DC area financial planning firm, where she concentrated on a unique relationship-based approach to helping clients meet their financial goals. In 2000, Sandra became affiliated with Financial Network Investment Corporation in El Segundo, CA. Through Financial Network, Sandra continued to expand her business in the areas of investments and asset management. Sandra joined BFIA in August 2005, where she manages the operations of the investment firm. Sandra is a Registered Representative of Cambridge Investment Research Inc., a Broker/Dealer member FINRA/SIPC. Sandra holds the following securities/investment industry licenses:

- § General Securities Representative (Series 7)
- § Uniform Securities Agent State Law (Series 63)
- § Uniform Investment Adviser (Series 65)
- § Investment Company Products/Variable Contracts (Series 6)
- § Life and Health Insurance Licensed in MD, VA and DC

Other Business Activities

BFIA Corp. engages solely in investment advisory and portfolio management services. However, Rick Faircloth engages in accounting, tax and management financial consulting services on behalf of Berg Faircloth & Co. (BFC), an affiliated entity. Sandra is licensed in Life and Health Insurance in MD, VA and DC and may sell these products. Sandra and Rick each provide financial planning services on behalf of BFC. Sandra and Rick are Registered Representatives of Cambridge Investment Research, a registered Broker/Dealer of FINRA/SIPC.

Other Financial Industry Activities or Affiliations

BFIA Corp. is affiliated with Berg Faircloth & Company, a CPA Firm.

Participation or Interest in Client Transactions

BFIA is a professional investment advisory and portfolio management firm. We believe in our investment recommendations to clients and may purchase investments on behalf of BFIA or for our personal accounts that are the same securities recommended to clients, or purchased or sold in managed accounts. BFIA also believes in putting our clients' interests first as well as remaining in full compliance with all securities industry rules and regulations.

BFIA has implemented internal controls to provide oversight in such cases. Specifically, (1) if any individuals who make decisions on behalf of managed accounts for BFIA are purchasing or selling the same securities for their own or Firm account that are being purchased or sold for a managed account, the transaction must be entered on behalf of the managed account(s) prior to, or coincident with, being entered for personal or Firm account; and (2) all related persons for BFIA who make investment decisions and recommendations to clients are subject to a daily review of securities transactions by other related persons at BFIA.

Review of Accounts

BFIA monitors all its investment recommendations on a daily basis. BFIA reviews its overall recommendations on a bi-weekly basis for updates or changes, if any. Through this daily and weekly monitoring process, if BFIA discovers changes that require immediate attention for a client's specific investment portfolio, BFIA will take appropriate action on behalf of the client in accordance with the client's specific investment objective(s) and portfolio management strategy.

The client's portfolio is reviewed for investment objective and portfolio management strategy compliance no less frequently than annually. However, clients are sent quarterly reports from BFIA, as described below. Clients are expected to inform BFIA should their own investment objectives change at any time. BFIA will also attempt to meet with the client on an annual basis for account review. The client or Firm may request meetings or reports more frequently, if necessary.

BFIA provides additional quarterly reports, which normally include:

- Quarterly performance review
- Portfolio summary of assets
- Quarterly invoice for review

Investment or Brokerage Discretion

In performance of asset management, BFIA first attains an agreement from clients to manage assets according to a pre-set investment strategy. BFIA then manages client investment assets in accordance with this policy. BFIA attains third-party trading authority from our clients in order to carry out said asset management services. In this respect, BFIA determines which securities and the amounts to be purchased and sold on behalf of the client. BFIA is limited to trading in client accounts and automatically deducting fees for services. BFIA is not permitted to transfer other funds or assets from client accounts.

Additional Compensation

BFIA does not receive any compensation (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients or providing asset management services for clients. Clients may purchase insurance related products from BFIA representatives. These items normally have commissions paid directly by the insurance company to the insurance representative. Clients may also elect to hold a commission-based brokerage account through Cambridge Investment Research. In a commission-based account, clients do not pay an additional management fee. The client may elect to have this account discretionary or non-discretionary. BFIA does not receive directly or indirectly any compensation from any person for client referrals.

Code of Ethics

BFIA maintains a Code of Ethics. For more information on this, please consult Rick or Sandra.

Privacy Notice

BFIA has always protected our clients' personal nonpublic information. Under the Securities and Exchange Commission (SEC) *Regulation S-P*, registered investment advisors and other securities firms are required to not only provide such protection, but also to do the following:

1. Inform you that we have a privacy policy,
2. Inform you as to what information we collect and what, if anything, we do with your personal nonpublic information, and
3. Provide you with instructions describing what you need to do if you desire that we NOT share your information in accordance with our stated policy.

What We Collect

In the normal course of business, we collect nonpublic personal information to open and manage accounts for our clients. This includes information about your account(s) including, but not limited to, balances, securities positions and/or financial products traded. This information may come from many different resources.

How We Use The Information

The nonpublic personal information we collect is used only to administer your accounts and serve you better.

Who We Disclose The Information To

We disclose your nonpublic personal information to Berg Faircloth & Company, Inc., our tax and accounting company, to properly prepare your taxes and help us deliver the best possible service to you. Additionally, we disclose personal information to companies that help us manage your account(s) on your behalf. This includes companies that custody your account(s), print and mail transaction confirmations and account statements, and other entities involved in the administration of your account(s).

We may disclose or report personal information in limited circumstances where we believe in good faith that disclosure is required or permitted under law. This might include, for example, cooperation with industry examiners and regulators or law enforcement bodies and for institutional risk control.

Outside of the circumstances described above, we will not sell your personal information to anyone nor share your personal information with third parties, unless you have specifically asked us to do so in writing.

If You Desire that we NOT Share Your Information in Accordance with Our Policy

Disclosure as described herein is strictly to administer and manage your account(s). If you desire that we not disclose your personal nonpublic information in accordance with our stated policy above, please contact us to discuss this matter.

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