

Vermillion Financial Advisors, Inc.

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Vermillion Financial Advisors, Inc.

Brochure

Dated 3/31/2011

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This brochure provides information about the qualifications and business practices of Vermillion Financial Advisors, Inc. (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (847) 382-9999 or mlaspisa@vermillionfinancial.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.

Additional information about Vermillion Financial Advisors, Inc. also is available on the SEC’s website at www.adviserinfo.sec.gov.

References herein to Vermillion Financial Advisors, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes made to Vermillion Financial Advisors, Inc.'s disclosure statement since last year's Annual Amendment filing on March 31, 2010.

Item 3 Table of Contents

Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	2
Item 4	Advisory Business.....	3
Item 5	Fees and Compensation.....	11
Item 6	Performance-Based Fees and Side-by-Side Management.....	15
Item 7	Types of Clients	15
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	16
Item 9	Disciplinary Information	18
Item 10	Other Financial Industry Activities and Affiliations	18
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	19
Item 12	Brokerage Practices.....	20
Item 13	Review of Accounts	22
Item 14	Client Referrals and Other Compensation	22
Item 15	Custody	22
Item 16	Investment Discretion	23
Item 17	Voting Client Securities	23
Item 18	Financial Information.....	23

Item 4 Advisory Business

- A. Vermillion Financial Advisors, Inc. (the “Registrant”) is a corporation formed on August 2, 1988 in the State of Illinois. The Registrant became registered as an Investment Adviser Firm in September 1988. The Registrant is owned Mark S. La Spisa, the Registrant’s President.

- B. As discussed below, the Registrant offers to its clients (individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

INVESTMENT ADVISORY SERVICES

Investment Portfolio Reporting and Monitoring Service (IPRAMS)

Registrant offers a service which will allow a client to have a consolidated and comprehensive report of their investment portfolio, including but not limited to tax ramifications, cash flow, and return performance.

The Investment Portfolio Reporting and Monitoring Service (“IPRAMS”) is a system which can be utilized independently of our maintenance or full-service programs or in addition to these other two services.

IPRAMS, a quarterly report, includes the following information:

Portfolio Asset Ownership:

IPRAMS will show in dollars and percentages how much of the client's portfolio is owned jointly, individually, in trust, etc. This will benefit the client with concerns regarding estate taxes and distribution.

Qualified/Non-Qualified Assets:

IPRAMS will display the amount and percentage of the client's tax-qualified retirement and non-qualified assets. This is beneficial in retirement, tax, and major purchase and major event planning (e.g. college planning).

Portfolio Allocation:

IPRAMS will illustrate the client's current portfolio allocation by asset type (income, growth, etc.) and compare this to the targeted allocation for each client. This will allow the client to determine if reallocation of investments is needed for risk reduction and return maximization.

Investment Selection/Mix:

IPRAMS will compare the proportion of each of these specific investment selections to the entire portfolio. This allows the client to identify any additional risk in the portfolio.

Positions Statement:

This report will allow the client to evaluate the total return and performance of each investment tracked. In addition, this report will keep the client's tax cost basis current.

Cash Flow:

IPRAMS will allow the client to see both the current and potential income from the portfolio. It will also indicate if distributions are being received in cash or reinvested, and whether or not they are taxable.

Tax Liability:

IPRAMS tax reports will inform the client as to the taxable consequences in the portfolio as they become known to Registrant. IPRAMS will provide a running total of current tax schedules "B", "D", and 1099R throughout the year making tax reporting easier to verify and complete for those transactions that are reported to Registrant.

IPRAMS Report Review Worksheet:

As part of each IPRAMS report, clients will be provided an advisor review documenting variances in the portfolio against standard parameters established in the client's Investment Policy Statement (only if the client has determined to engage Registrant to provide an Investment Policy Statement). In addition to all other data provided quarterly, this report will verify cash reserves, status, portfolio volatility (standard deviation) and portfolio stated objectives. The worksheet will provide a simple format for the client to compare their current portfolio to their targeted portfolio.

Report Review Consultations:

The client is entitled to a review meeting for up to one hour following receipt of each IPRAMS report. The objective of these meetings is to review past performance and discuss the future direction of the portfolio. These meetings are in addition to all other meetings as stated in the client's service/maintenance agreement with Registrant.

The annual fee structure is quoted below based upon the market value of the "includable portfolio". The fee schedule below is intended to cover Registrant's ordinary IPRAMS service. Additional charges may apply depending on the additional services. (For example, any investment monitored that requires Registrant to manually enter transaction data and market values will be subject to an additional fifteen percent (15%) increase on the below fee schedule to cover the additional time/cost of manual entry. The fee is recalculated each quarter or, at the option of Registrant during the quarter when there is an increase in market value that exceeds \$25,000 or additional assets are added to this service.

Quarterly Service:

<u>Market Value of Assets Monitored</u>	<u>Annualized Fee of Assets</u>
First \$1,000,000	1.00%
Next \$1,000,000	0.875%
Next \$1,000,000	0.750%
Next \$2,000,000	0.6250%
Over \$5,000,001	0.500%

In addition to the annual fee set forth above, the client shall pay Registrant a one-time initial research and establishment fee of \$875 upon the signing of the *Investment Advisory Agreement*. * There is a minimum monthly fee of \$525.00 for IPRAMS service.

Annual Service:**“On Demand” Reporting Fees:**

On demand IPRAMS reporting fees are the greater of a minimum \$1,000 or a fee determined by the following fee schedule (note: If an on demand report has not been created in more than four (4) consecutive quarters, additional hourly fees will apply for the data input to bring the investment data current):

<u>Market Value of Assets Monitored</u>	<u>IPRAMS “On Demand” individual report fee as a Percentage of Assets</u>
First \$1,000,000	0.20 %
Next \$1,000,000	0.175%
Next \$1,000,000	0.15%
Next \$2,000,000	0.125%
Over \$5,000,001	0.10 %

The value of the portfolio’s ending market value will be determined as of the close of the last trading day within the report quarter or the latest value should a value not be available as of the close of last trading day. The fee will then be billed monthly, in arrears, based on this ending market value.

In addition to the annual fee set forth above, the client shall pay Registrant a one-time initial research and establishment fee of \$875. The initial research and establishment fee shall be paid upon the signing of the *Investment Advisory Agreement*. If the initial account establishment requires more than seven (7) hours, the client will be billed hourly after that point at the going plan-writing hourly rate.

Specific Asset Selection and Investment Recommendation Service (SASIR)

Registrant provides a specific asset selection and investment recommendations service for those clients who prefer to retain the responsibility of portfolio monitoring. Registrant

will provide specific investment recommendations for those clients that choose this program, otherwise all investment recommendations are generic in nature.

The annual fee structure is below based upon the market value of the “includable portfolio” as follows:

<u>Market Value of Assets Monitored</u>	<u>Annualized Fee of Assets</u>
First \$1,000,000	1.00%
Next \$1,000,000	0.875%
Next \$1,000,000	0.750%
Next \$2,000,000	0.6250%
Over \$5,000,001	0.500%

The fee is recalculated each quarter or, at the discretion, of Registrant when there is an increase in the market value of the assets that exceeds \$25,000 resulting from additional deposits or inbound transfers. The value of the portfolio’s ending market value will be determined as of the close of last trading day within the report quarter or the latest value should a value not be available as of the close of last trading day.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis as set forth below.

Financial Inventory Preparation

Registrant shall prepare a written financial plan. The financial plan is designed to document a client’s current financial status. The financial plan will generally include (but is not limited to) the following:

- A. Personal data
- B. Financial statement of net worth
- C. Projected cash flow statement
- D. Tax return comparison
- E. Insurance review
- F. Investment allocation
- G. Pre and post retirement projection
- H. Educational cost projection
- I. Estate plan review and tax projection
- J. General recommendations

Registrant charges a flat fee to prepare a personal financial inventory. Registrant generally charges a different fee structure for each financial advisor level as set for the below. The fee is the greater of:

Personal Financial Counselor (PFC) = \$2,150.00 or 35% of full initial financial planning service fee;

Personal Financial Advisor (PFA) = \$2,600.00 or 35% of full initial financial planning service fee;

Senior Financial Advisor (SFA) = \$2,900.00 or 35% of full initial financial planning service fee;

Managing Advisor (MA) = \$3,200.00 or 35% of full initial financial planning service fee.

Initial Financial Planning Service

Registrant shall prepare, design and implement financial plans for individuals and business owners interested in the documentation of their current financial status and possible limitations to financial goals and objectives.

Registrant provides various financial analyses such as:

- Retirement analysis and income forecast
- Thorough insurance and investment analyses
- Probate avoidance and wealth preservation and transfer strategies (estate planning)
- Tax reduction strategies
- Major purchase or event cost projections and funding alternatives (college, weddings, businesses)
- Cash flow monitoring
- Investment portfolio design and strategy documentation

Financial Planning Fee Structure:

Registrant provides all clients the option of engagement of either an hourly rate or a flat fee to prepare a comprehensive financial plan. Registrant charges a different fee structure for each of the four (4) financial advisor levels set forth below:

Personal Financial Counselor (PFC):

The hourly fee is \$175.00 per hour. The flat fee is 1.75% of gross income, .0020% of net worth or \$4,950.00, whichever is the greatest.

Personal Financial Advisor (PFA):

The hourly fee is \$215.00 per hour. The flat fee is 2.00% of gross income, .0025% of net worth or \$5,850.00, whichever is the greatest.

Senior Financial Advisor (SFA):

The hourly fee is \$250.00 per hour. The flat fee is 2.25% of gross income, .0030% of net worth, or \$6,750.00, whichever is the greatest.

Managing Advisor (MA):

The hourly fee is \$295.00 per hour. The flat fee is 2.50% of gross income, .0035% of net worth, or \$7,950.00, whichever is greatest.

Financial Planning Maintenance Programs (Limited or Unlimited)

These alternative programs are for those clients who have completed the initial financial planning process. The original analyses and action plans implemented in the initial

planning stage will be monitored in comparison to the client's current financial status and the probability of reaching long-term financial goals.

Unlimited Maintenance Fees:

Registrant's Unlimited Maintenance Program is available only to those clients that have completed the initial planning stage. The Unlimited Maintenance fee is targeted to provide up to a forty percent (40%) reduction off the prevailing comprehensive financial planning fee as it would be calculated at the time of signing up for the Unlimited Maintenance program and carries a minimum fee not less than the fee set forth below for each financial advisor level:

PFC:	\$2,580.00	(\$215.00 Monthly)
PFA:	\$3,000.00	(\$250.00 Monthly)
SFA:	\$3,600.00	(\$300.00 Monthly)
Principal	\$4,380.00	(\$365.00 Monthly)

Limited Maintenance Program:

Registrant's Limited Maintenance program is available only to those clients that have completed the initial planning stage. The Limited Maintenance fee is targeted to provide up to a seventy percent (70%) reduction off the prevailing comprehensive financial planning fee. The monthly fee set forth below is for each financial advisor level:

PFC:	\$1,560.00	(\$130.00 Monthly)
PFA:	\$1,920.00	(\$160.00 Monthly)
SFA:	\$2,280.00	(\$190.00 Monthly)
Principal	\$2,580.00	(\$215.00 Monthly)

Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including certain of the Registrant's representatives in their individual capacities as licensed insurance agents. (*See* disclosure at Item 10 C.8). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

MISCELLANEOUS

Non-Investment Consulting/Implementation Services. To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of the Registrant in their separate licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Private Investment Funds. Registrant may provide investment advice regarding private investment funds. The Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

Rebalancing/New Funds. The client hereby authorizes Registrant, without granting Registrant discretionary authority, to take the following actions without prior consultation with the client: (1) to rebalance the client account; (2) to add to pre-existing securities positions upon the receipt of new funds from the client; (3) in the event the client requests funds from the client account, to liquidate positions to raise the amount of funds requested; (4) to avoid the account falling into a negative cash position as result of a client required transaction; (5) to switch an existing investment into its lower cost alternative (if for example a lower cost share class or sibling fund exists); (6) locking in capital losses for tax planning purposes (when in excess of previously agreed size) and switching proceeds to cash for 31 days then reversed; (7) close out an existing option contract to avoid assignment of underlying security; and (8) to adjust existing stop orders as needed to maintain client's written capital preservation goals.

Options fee structure.

The annual fee structure is designed to allow the client to pick and choose the service that best fits their needs. Hedge and income fees are quoted below based upon the market value of the "Notional Value" option strategy. The fee schedule below is intended to cover Registrant's time and liability to set up the hedge strategy, present and execute trade transaction.

The transaction fee for each hedge and income strategy shall be the greater of \$500 or ½ of 1% (.005) of the notional value of the option contracts used to process the hedge and income strategy. Spreads (two transactions executed on the same underlying security at the same time to create a single objective) or strings (three transactions executed on the same underlying security at the same time to create a single objective) will only need to satisfy the notional value of the main option trade.

Examples of hedge and income fees:

<u>Description:</u>	<u>Notional Value</u>
<u>HEDGE:</u>	
BUY 10 CALL contracts of XYZ@45 (MAIN)	\$45,000
SELL 10 CALL contracts of XYZ@65	N/A
BUY 10 PUT contracts of XYZ@30	N/A
<u>INCOME:</u>	
SELL 10 CALL contracts of XYZ@45	\$45,000

Please Note: Inverse/Enhanced Market Strategies. The Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

Please Note: Non-Discretionary Service Limitations. Clients that determine to engage the Registrant on a non-discretionary investment advisory basis **must be willing to accept** that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

Trade Error Policy. Registrant shall reimburse accounts for losses resulting from the Registrant's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within the Registrant's custodian firm account and Registrant retains the net gains and losses.

Client Obligations. In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Disclosure Statement. A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the *Investment Advisory Agreement or Financial Planning and Consulting Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of February 28, 2011, the Registrant had \$110,076,676 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide non-discretionary investment advisory services on a *fee* basis.

INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide non-discretionary investment advisory services on a *fee* basis, the Registrant's annual investment advisory fee shall be as follows:

Investment Portfolio Reporting and Monitoring Service (IPRAMS)

The annual fee structure is quoted below based upon the market value of the “includable portfolio”. The fee schedule below is intended to cover Registrant’s ordinary IPRAMS service. Additional charges may apply depending on the additional services. (For example: any investment monitored that requires Registrant to manually enter transaction data and market values will be subject to an additional fifteen percent (15%) increase on the below fee schedule to cover the additional time/cost of manual entry. The fee is recalculated each quarter or, at the option of Registrant, during the quarter when there is an increase in market value that exceeds \$25,000 or additional assets are added to this service.

Quarterly Service:

<u>Market Value of Assets Monitored</u>	<u>Annualized Fee of Assets</u>
First \$1,000,000	1.00%
Next \$1,000,000	0.875%
Next \$1,000,000	0.750%
Next \$2,000,000	0.6250%
Over \$5,000,001	0.500%

In addition to the annual fee set forth above, the client shall pay Registrant a one-time initial research and establishment fee of \$875. * There is a minimum monthly fee of \$525.00 for IPRAMS service.

Annual Service:

“On Demand” Reporting Fees:

On demand IPRAMS reporting fees are the greater of a minimum \$1,000 or a fee determined by the following fee schedule (note: If an on demand report has not been created in more than four (4) consecutive quarters, additional hourly fees will apply for the data input to bring the investment data current):

<u>Market Value of Assets Monitored</u>	<u>IPRAMS “On Demand” individual report fee as a Percentage of Assets</u>
First \$1,000,000	.20 %
Next \$1,000,000	.175%
Next \$1,000,000	.15%
Next \$2,000,000	.125%
Over \$5,000,001	.10 %

The value of the portfolio’s ending market value will be determined as of the close of the last trading day within the report quarter or the latest value should a value not be

available as of the close of last trading day. The fee will then be billed monthly, in arrears, based on this ending market value.

In addition to the annual fee set forth above, the client shall pay Registrant a one-time initial research and establishment fee of \$875. The initial research and establishment fee shall be paid upon the signing of the *Investment Advisory Agreement*. If the initial account establishment requires more than seven (7) hours, the client will be billed hourly after that point at the going plan-writing hourly rate.

Specific Asset Selection and Investment Recommendation Service (SASIR)

The annual fee structure is quoted below based upon the market value of the “includable portfolio”. The fee schedule below is:

<u>Market Value of Assets Monitored</u>	<u>Annualized Fee of Assets</u>
First \$1,000,000	1.00%
Next \$1,000,000	0.875%
Next \$1,000,000	0.750%
Next \$2,000,000	0.6250%
Over \$5,000,001	0.500%

The fee is recalculated each quarter or, at the discretion, of Registrant when there is an increase in the market value of the assets that exceeds \$25,000 resulting from additional deposits or inbound transfers. The value of the portfolio’s ending market value will be determined as of the close of last trading day within the report quarter or the latest value should a value not be available as of the close of last trading day.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant’s planning and consulting fees are as follows:

Financial Inventory Preparation

Registrant charges a flat fee to prepare a personal financial inventory. Registrant generally charges a different fee structure for each financial advisor level as set for the below. The fee is the greater of:

Personal Financial Counselor (PFC) = \$2,150.00 or 35% of full initial financial planning service fee;

Personal Financial Advisor (PFA) = \$2,600.00 or 35% of full initial financial planning service fee;

Senior Financial Advisor (SFA) = \$2,900.00 or 35% of full initial financial planning service fee;

Managing Advisor (MA) = \$3,200.00 or 35% of full initial financial planning service fee.

Initial Financial Planning Service

Registrant provides all clients the option of engagement of either an hourly rate or a flat fee to prepare a comprehensive financial plan. Registrant charges a different fee structure for each of the four (4) financial advisor levels set forth below:

Personal Financial Counselor (PFC):

The hourly fee is \$175.00 per hour. The flat fee is 1.75% of gross income, .0020% of net worth or \$4,950.00, whichever is the greatest.

Personal Financial Advisor (PFA):

The hourly fee is \$215.00 per hour. The flat fee is 2.00% of gross income, .0025% of net worth or \$5,850.00, whichever is the greatest.

Senior Financial Advisor (SFA):

The hourly fee is \$250.00 per hour. The flat fee is 2.25% of gross income, .0030% of net worth, or \$6,750.00, whichever is the greatest.

Managing Advisor (MA):

The hourly fee is \$295.00 per hour. The flat fee is 2.50% of gross income, .0035% of net worth, or \$7,950.00, whichever is greatest.

Financial Planning Maintenance Programs (Limited or Unlimited)

Unlimited Maintenance Fees:

Registrant's Unlimited Maintenance Program is available only to those clients that have completed the initial planning stage. The Unlimited Maintenance fee is targeted to provide up to a forty percent (40%) reduction off the prevailing comprehensive financial planning fee as it would be calculated at the time of signing up for the Unlimited Maintenance program and carries a minimum fee not less than the fee set forth below for each financial advisor level:

PFC:	\$2,580.00	(\$215.00 Monthly)
PFA:	\$3,000.00	(\$250.00 Monthly)
SFA:	\$3,600.00	(\$300.00 Monthly)
Principal	\$4,380.00	(\$365.00 Monthly)

Limited Maintenance Program:

Registrant's Limited Maintenance program is available only to those clients that have completed the initial planning stage. The Limited Maintenance fee is targeted to provide up to a seventy percent (70%) reduction off the prevailing comprehensive financial planning fee. The monthly fee set forth below is for each financial advisor level:

PFC:	\$1,560.00	(\$130.00 Monthly)
PFA:	\$1,920.00	(\$160.00 Monthly)
SFA:	\$2,280.00	(\$190.00 Monthly)
Principal	\$2,580.00	(\$215.00 Monthly)

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients monthly in arrears, based upon the market value of the assets on the last business day of the previous month.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Pershing, LLC ("*Pershing*") and/or TD Ameritrade ("*Ameritrade*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Pershing* and *Ameritrade* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid monthly, in arrears, based upon the market value of the assets on the last business day of the previous month. The Registrant generally requires a \$500 minimum monthly fee for investment advisory services. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum monthly fee requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, a pro-rated portion of the earned but unpaid advisory fee shall be due.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-by-Side Management

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations. The Registrant

generally requires a \$500 minimum monthly fee for investment advisory services. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum monthly fee requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

A. The Registrant may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies

require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (*See discussion below*).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Registrant recommends that clients allocate client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds (“ETFs”) (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), on a discretionary and non-discretionary basis in accordance with the client’s designated investment objective(s).

As disclosed above, the Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts. (*See* Item 4 B).

Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
8. **Licensed Insurance Agents.** Certain of Registrant’s representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Registrant’s representatives to purchase insurance products on a commission basis.
- **Conflict of Interest:** The recommendation by Registrant’s representatives that a client purchase an insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client’s need. No client is under any obligation to purchase any commission products from Registrant’s representatives. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents. **The Registrant’s Chief Compliance Officer, Mark S. La Spisa, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the

Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab* and/or *Ameritrade*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab* and/or *Ameritrade* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab* and/or *Ameritrade* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* and/or *Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, Mark S. La Spisa, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

The Registrant's Chief Compliance Officer, Mark S. La Spisa, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 **Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Item 14 **Client Referrals and Other Compensation**

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Schwab* and/or *Ameritrade*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab* and/or *Ameritrade*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* and/or *Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, Mark S. La Spisa, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

Item 15 **Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Item 16 Investment Discretion

The Registrant does not manage client assets on a discretionary basis.

Item 17 Voting Client Securities

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant does not manage client assets on a discretionary basis.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Mark S. La Spisa, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.