

Absolute Capital Management, LLC

Part 2A of Form ADV

Brochure

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Date of Brochure: March 30, 2011

This brochure provides information about the qualifications and business practices of Absolute Capital Management, LLC (“Absolute Capital”). If you have any questions about the contents of this brochure, please contact us at 800-506-1666. 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 Absolute Capital Management, LLC is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2 Material Changes

Absolute Capital's most recent update to Part 2 of Form ADV was made in September 2010. Absolute Capital's business activities have not changed materially since the time of that update. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by Absolute Capital in prior years.

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Item 4 Advisory Business

Absolute Capital provides investment advisory and account supervisory services primarily to individual investors on a fee-only basis. We offer various programs that allocate and reposition your account assets over time. We will describe each of these to you in this brochure. You can use these programs with your investments in mutual funds, exchange traded funds ("ETFs"), variable insurance products, and with some retirement plans such as 403(b)s.

When you are introduced to our services through your financial representative, you will work with that individual to determine which of our programs and investment profiles fit with your financial situation. We offer allocation strategies, defensive strategies and some sector strategies. Some programs offer a range of investment profiles to suit your investment objectives which may include aggressive growth, growth, core, conservative and income. Once you make your selection, you will enter into a Client Agreement ("Agreement") with us. This agreement will tell us which program(s) you are selecting and authorize us with discretionary authority to allocate your account into the investment positions of the program(s) you have selected and to continue to make reallocations according to the program parameters over time. Your account will participate in the positions we establish for the program. You may impose reasonable restrictions on Absolute

Capital's management of your accounts. In certain programs, you can also arrange to hold non-managed securities in your account.

Our investment advisory services begin on the date that your account is accepted and allocated into the money management strategy positions ("Acceptance Date"). There may be circumstances where your Client Agreement will be pending for a period of time due to account restrictions, anticipation of an upcoming strategy change or other operational issues. Absolute Capital is not responsible for performance in your account prior to the Acceptance Date. You will receive a letter from us which indicates the date on which management services started. This letter is your notice that management services have begun. Until you receive this notice, you should not assume management services have begun. You or your financial representative can contact us at any time to inquire on the status of your account.

Absolute Capital was founded in 2002 and is owned by Managing Directors Brenden Gebben and Brian Osborn. As of March 28, 2011, Absolute Capital manages \$187.4 million on a discretionary basis.

Item 5 Fees and Compensation

Absolute Capital charges its clients an investment management fee according to each program's fee schedule (listed below). The fee is collected annually in advance and is based on a 360 day year. You may request to be billed quarterly or semi-annually if desired. The initial fee is calculated as a percentage of the market value of the managed assets in your account as of the date we accept and allocate your account into the strategy positions ("Acceptance Date"). Fees for subsequent periods will be calculated on the anniversary of the Acceptance Date for the period ahead (the "Anniversary Date") as a percentage of the market value of the assets in the account as reported by the Custodian on the Anniversary Date. On Unmanaged Assets, you will be charged an advisory fee to include the assets on the platform, annually rebalance eligible assets in some situations and offer consolidated analytics for the Account (the "Unmanaged Assets Fee"). The initial Unmanaged Assets Fee will be calculated as a percentage of the value of the Unmanaged Assets in your account as reported to us by the Custodian on the Acceptance Date of the Account. If we need to change the fee cycle at any time to accommodate administrative circumstances, we will notify you in writing. You can cancel the Agreement without penalty within the first five calendar days after the signing of the Agreement.

The Asset Allocator & The Capital Constructor

(includes Capital Constructor sub-programs The Sector Selector and Capital Constructor PP)

The annual advisory fees for the services are as follows:

2.00%.....on the first \$125,000
1.60%.....on the assets between \$125,000 and \$250,000
1.30%.....on the assets between \$250,000 and \$500,000
1.00%.....on the assets between \$500,000 and \$1,000,000
0.80%.....on the assets between \$1,000,000 and \$2,000,000
0.65%.....on the assets between \$2,000,000 and \$3,000,000
Entire advisory fee is negotiable for Accounts over \$3,000,000

The Portfolio Protector

The annual advisory fees for the services are as follows:

2.00%.....on the first \$125,000
1.75%.....on the assets between \$125,000 and \$250,000
1.50%.....on the assets between \$250,000 and \$750,000
1.00%.....on the assets between \$750,000 and \$1,500,000
0.75%.....on the assets between \$1,500,000 and \$3,000,000
Entire advisory fee is negotiable for Accounts over \$3,000,000

The Wealth Consolidator

Managed assets: Refer to The Capital Constructor fee schedule above

Unmanaged assets subject to rebalancing: 0.70% on all assets*

Unmanaged assets not subject to rebalancing: 0.20% on all assets*

** Adviser relies on the market value as reported by Account Custodian*

The Bond Builder

The annual advisory fees for the services are as follows:

0.96% on all assets in the program*

**Assets in this program are charged a flat fee and the assets will not be counted towards fee break points in other Absolute Capital Management strategies.*

Investment advisory services begin on the account's Acceptance Date. If you have multiple accounts that have different Acceptance Dates, we reserve the right to pro-rate the fee on any or all of these accounts to align the Anniversary Date for all or some of the accounts for future billing.

A pro-rata fee may also be charged according to the fee schedule if you make an additional contribution to your account or establish another account intra-period. We will not make fee adjustments for partial withdrawals unless you make arrangements with us. Absolute Capital has waived or negotiated lower fees for certain clients. If you request to change your account's program type between billing dates, the fee for the new program type will be effective with the next billing date.

Most clients authorize Absolute Capital to deduct fees automatically from their account, but you may make arrangements with us to deduct the fee from a different account or send you an invoice to be paid by check. If you have multiple accounts with us, you may instruct us as to which accounts you'd like the fee to be deducted from; otherwise, we will determine which account(s) from which to take the fee. We remind you that you should check the accuracy of all fees assessed to your account, as your custodian will not check to see that the fee has been properly calculated.

You or we may terminate the Agreement for any reason at any time. Notice of termination must be given to the other party in writing. At the time of termination, your account will no longer be reallocated and will remain in the current allocation as of the date of termination. However, there

are limited circumstances when an account must be moved into another position for administrative or transitional purposes. You are responsible for paying for services rendered until the termination of the Agreement becomes official. You are entitled to a refund of any unearned fees. Upon receiving written cancellation instructions from you or upon discovering that your account has liquidated/closed, we will terminate our management within thirty days and calculate the percentage of fees that have not yet been earned and refund these to you. If you are moving the assets to a new product or platform, you can continue to pay the fee and give us instructions to continue management. You should be aware that the account may not be in the allocated positions during the transition from one custodian to another. This process of transitioning the assets may take several weeks or more before the account is allocated with the new custodian.

The fees that Absolute Capital charges you for investment advisory services are separate from and in addition to the fees and expenses charged by the mutual funds, variable annuities, and/or the custodian of your account. For example, accounts that are invested in mutual funds and variable annuities also pay a separate layer of fees that may include management, trading, insurance and administrative expenses. Other types of fees that could be incurred are sales charges, transaction fees, administrative charges, redemption charges or commissions. Descriptions of these fees are usually available from your account provider and should be reviewed carefully. Additionally, you may also incur certain charges imposed by your financial representative and their broker/dealer or registered investment adviser.

All of these charges, fees and commissions are exclusive of and in addition to our advisory fee. You should consult with your financial representative regarding commissions and fees that they may earn on the sale of mutual fund, variable insurance or retirement account investments and/or our advisory services. We permit financial representatives to waive a portion or all of their referral fee associated with our management either permanently or for a fixed period of time.

For the Capital Constructor, Sector Selector, Portfolio Protector CC and Wealth Consolidator programs, you will enter into a separate custodial agreement with the program custodian and will pay custodial fees that may include but are not limited to asset-based custodial fees, transaction charges, and special services fees. There is more information about the brokerage arrangements in place for this program in the Brokerage Information section of this brochure. In evaluating participation in these programs, you should consider the fees charged by the custodian in addition to those charged for advisory services. A summary of the fees of the program custodian is provided with the Client Agreement. You should review all fees charged by the Adviser, custodians and brokers and others to fully understand the total amount of fees incurred. Such fees are subject to change.

There are circumstances when the withdrawal of an advisory fee may trigger short-term redemption fees, early withdrawal fees or other fees imposed by the investment companies and/or platforms in which the account is invested. Further, the withdrawal of advisory fees may affect, diminish or remove certain benefits from variable insurance contracts such as, but not limited to, income riders, living benefit riders, guarantee riders, death benefits, death benefit riders, free withdrawal amounts, special fund riders or other guarantees within the contract. You should review your specific contract for further details.

In addition, it is possible that certain mutual funds, variable insurance products, retirement accounts or brokers or dealers may restrict, impose redemption fees, early withdrawal fees or other fees or refuse to accept trades placed by the Adviser if investments are owned for a short period of time or for any other reason. We must comply with any such refusals or restrictions. You are responsible for any charges, commissions or fees imposed by mutual funds, ETFs, variable annuities, retirement plans, other investment vehicles or broker and dealers as a result of implementing our program. Further, we are not responsible for trade allocations that are rejected or redirected by the fund family, platform or insurance provider. Our services and fees may trigger redemption fees and/or cause an account to incur sales loads or fees.

It is important to note that there is a possibility that payments of advisory fees directly from a variable annuity, variable life contract, mutual fund or any other product may constitute taxable distributions to the owner of the contract. Many products will issue Form 1099s each year that advisory fees are paid from the product. There is a possibility that the contract owner will be responsible for federal and state income taxes on the amount of the distribution, and may also incur interest, a 10% early distribution penalty if applicable and additional costs for taking money out of the account. Our services and fees may result in short and/or long term capital gains and/or short and/or long term capital losses. The programs we offer may be tax inefficient. You should consult your tax advisor for guidance.

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

Absolute Capital does not charge any performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to Absolute Capital.

Item 7 Types of Clients

Absolute Capital provides investment advisory and account supervisory services primarily to individual investors, but may also provide services to trusts, estates and corporations or other types of business entities. These investors are usually introduced to our advisory services through their financial representative. Absolute Capital's minimum account size is \$30,000, but this amount is negotiable.

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

Absolute Capital's Managing Director, Brenden Gebben, is responsible for selecting investments and managing the program allocations on an ongoing basis. He conducts analysis of market conditions to determine areas of the market for investment and monitors general conditions in the stock and bond markets ongoing. Examples of factors that may trigger reallocations in the programs include changes in general conditions in the stock and bond markets, and/or the quarterly or periodic asset re-allocations of the program. For mutual funds, variable annuity subaccounts and ETFs, specific fund analysis generally may include a review of the fund's management team, the fund's historical risk and return characteristics and any other factors considered relevant. This analysis may vary according to program type and the universe of securities available.

The following table describes the investment programs we offer. More details about the risks of these programs may be found on the next page.

Program	Description
The Asset Allocator	An allocation program that seeks to allocate assets among a mix of domestic equity mutual funds, international equity mutual funds and bond mutual funds (depending on risk profile selected). This program features diversified portfolio construction, dynamic asset class rotation, professional fund selection and periodic reallocations. You may choose among five risk profiles: income, conservative, core, growth and aggressive growth. This strategy invests in securities and all investing involves a risk of loss. (For investments in Mutual Funds, Variable Annuities, Retirement Plans)
The Portfolio Protector	A defensive program that seeks to allocate assets between a defensive (money market fund), a partially-invested or invested position in one or more mutual funds according to Absolute Capital's market analysis. You may choose one or more asset classes for the invested position. Since this strategy is concentrated in one or a few funds for the invested position, it may not be considered diversified. However, the underlying fund or funds will hold a portfolio of securities. This should be considered within the context of your overall investment plan. Also, while its objective is defensive, this strategy still invests in securities and all investing involves a risk of loss. (For investments in Mutual Funds, Variable Annuities, Retirement Plans)
The Capital Constructor	An allocation program that primarily uses exchange traded funds* ("ETFs") to allocate assets among a diversified mix of domestic equity ETFs, international equity ETFs and bond ETFs (depending on the risk profile selected), featuring diversified portfolio construction, dynamic asset class rotation, professional security selection and periodic reallocations. You may choose among four risk profiles: income, conservative, core and growth. This strategy invests in securities and all investing involves a risk of loss. (For investments in Exchange Traded Funds*)
The Sector Selector	An allocation program that seeks to invest in a professionally managed portfolio of exchange traded funds* focused in the commodity, hard asset and defensive cyclical markets. This strategy is concentrated in certain areas of the market, so it is not diversified across sectors and therefore carries non-diversification risk. It invests in securities and all investing involves a risk of loss. (For investments in Exchange Traded Funds*)
The Portfolio Protector-CC	A defensive program that primarily uses exchange traded funds* ("ETFs") to allocate assets between a defensive (money market fund) a partially-invested or an invested position in one or more ETFs according to Absolute Capital's market analysis. You may choose one or more asset classes for the invested position. Since this strategy is concentrated in one or a few ETFs for the invested position, it may not be considered diversified. However, the underlying fund or funds will hold a portfolio of securities. This should be considered within the context of your overall investment plan. Also, while its objective is defensive, this strategy still invests in securities and all investing involves a risk of loss. (For investments in Exchange Traded Funds*)
The Wealth Consolidator	A consolidated solution that uses the Capital Constructor and/or Sector Selector and/or Portfolio Protector CC programs for discretionary advisory management while having the option to consolidate additional unmanaged holdings within your account. Unmanaged assets are not selected or recommended by Absolute Capital and we take no responsibility for the investment performance, suitability or risk profile for unmanaged assets. Further, we do not provide investment recommendations for this portion of the account, except for an optional rebalancing feature on certain eligible portions of the unmanaged assets. Refer to the risk descriptions included with each managed strategy listed above, as well as the risk discussion on the next page.
The Bond Builder	A program that generally seeks exposure to the bond market through investment in high quality corporate and government bond mutual funds, as well as in other bond fund sectors such as high yield, international bonds, etc. according to our market outlook. This strategy is concentrated in certain areas of the market, so it is not diversified across asset classes, thereby carrying non-diversification risk. This strategy invests in securities and all investing involves a risk of loss. (For investments primarily in Mutual Funds)

** While exchange traded funds are the primary investments currently used to implement the strategy, there is no guarantee that they will continue to be the primary investment vehicle in the future and other securities may be used to implement the strategy.*

Absolute Capital's programs are designed to reallocate in response to market conditions. Therefore, they may trade more frequently than a buy-and-hold strategy. For example, the Asset Allocator usually reallocates your account four to six times per year to reposition your investments for the period ahead. The Capital Constructor follows a similar frequency of trading. The Portfolio Protector's trades are based on market conditions and may trade as little as once a year or as much as several times in a year. More frequent trading can affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

All investing involves a risk of loss and, as an investor, you should be prepared to bear any such losses. These investment strategies could lose money over short or even long periods of time. Performance could be negatively impacted by a number of different market risks, including but not limited to:

- Stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- Non-diversification risk, which is the chance that the performance of a strategy investing in a particular segment of the market or in one or few funds or securities will be hurt disproportionately by the poor performance of these relatively concentrated positions.
- Management techniques we employ may not always produce the desired results. This could cause accounts to decline in value.
- For more information on the risks specific to the pooled investment vehicles that your account invests in, please refer to the prospectus or offering document that you receive from each pooled investment vehicle.

Adding our management to your account may impact systematic transactions you have set up. It is your responsibility to inform us of all systematic transactions and ensure that any systematic programs remain in place. Further, before you request investment advisory services, it is your responsibility to remove all automatic rebalancing programs or any other automatic program or rider that may impact our management of the account. If you do not do this, such programs may conflict with our ability to manage your account and we are not responsible for the resulting performance.

Once investment advisory services are established on your account, you should not make any re-allocations or withdrawals within the account without informing us. We are not responsible for the performance of any accounts where you make your own re-allocations in the account that are contrary to the strategy positions of the Adviser. We may, at our discretion, move your account back into the strategy positions when we discover it and continue to manage the account; or, we may choose to cancel such an account. We are not responsible for any trade restrictions imposed by these movements or subsequently affected movements. You must notify us of additional contributions to your account. If you do not notify us, we are not responsible for the allocation of that portion of the account. At our discretion, we may include additional deposits made to the account at the time of the Adviser's next reallocation within the account or as may otherwise be deemed necessary. Further, we will use our best efforts to allocate all eligible assets into the model position(s); however, due to dividends, additional deposits, amounts earmarked to cover management fees, or other operational circumstances, we do not represent that all monies will be

allocated to the model positions at all times.

While, as investment adviser, we maintain investment discretion as to which securities shall be purchased or sold in the managed portion of a your account in a manner consistent with the selected investment strategy, we may be limited in the selection of investment options since we will have to manage the portfolio on your chosen platform and/or product. After establishing management, if the platform or product imposes restrictions that preclude or in our assessment are too limiting to our ability to manage your account, we may terminate the management agreement and return to you a pro-rata refund.

You may make program type changes from one investment advisory program or strategy to another by providing us with written notice. We will generally accept and implement the program type change within thirty days or receiving the request, but it may be longer due to the operational circumstances of the account.

Item 9 Disciplinary Information

A civil action that dates back to activities that occurred at one of Brenden Gebben's first jobs as an employee from 1994 – 1996 with an investor relations firm found that through his job function with the company, he violated Section 17(b) of the Securities Act of 1933 in connection with the distribution of his employer's promotional materials. Further, five internet message board postings did not have requisite disclosures. As a result, he was found to be in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. He has not been involved with any investor relation work since that time and Absolute Capital is not in that line of business. Additionally, as a result, in 2003, the State of Connecticut denied Absolute Capital's state-level registration filing; however, Absolute Capital has since operated as an SEC-registered investment advisor that provides services to clients in most states through notice filings, including Connecticut. The experience that stems from these events has been instrumental in shaping a culture that values and promotes compliance at Absolute Capital.

Item 10 Other Financial Industry Activities and Affiliations

Brian Osborn is associated with a broker dealer, Harvest Capital, LLC as a registered representative and licensed insurance agent. Only if he serves as your financial representative, he may receive commissions or other compensation such as distribution or service ("trail") fees for products sold. This may give him an incentive to recommend investment products based on commissions and/or trails received which could create a conflict of interest. The affiliation between Absolute Capital and Harvest Capital, LLC, a registered Broker-Dealer, is an indirect one in that certain employees or owners of the Adviser are licensed with Harvest Capital, LLC, as a registered representative. You are under no obligation to purchase products recommended or to purchase products through Harvest Capital, LLC. When using other broker dealers besides Harvest Capital, LLC as the custodian or broker, Brian Osborn cannot earn commissions on products sold. Also in his individual capacity, Mr. Osborn is a licensed insurance agent, and as such, may recommend, on a fully-disclosed basis, the purchase of certain insurance products to his financial planning clients. While Absolute Capital does not sell such insurance products to its investment advisory clients, Absolute Capital does permit its employees or owners, in their individual capacities as licensed insurance agents, to sell insurance products to their financial planning clients. Due to the fact that the individual can receive compensation from the product sale, a conflict of interest exists.

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

Absolute Capital has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires Absolute Capital and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Absolute Capital's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of Absolute Capital's code of ethics is available upon request.

Absolute Capital and their employees are generally permitted to trade alongside client accounts as long as they receive the average price that is applicable to clients and pay their share of any transaction costs. Absolute Capital maintains a file, updated quarterly, of all qualified securities transactions involving employees. If the possibility of a conflict of interest occurs, the Clients' interest will prevail. The Chief Compliance Officer monitors employee trading to ensure that employees do not engage in improper transactions.

Item 12 Brokerage Practices

In the programs where Absolute Capital manages packaged products only (such as mutual funds and variable insurance subaccounts), you and your financial representative are responsible for choosing the product or platform for custody of the assets. You are also always able to call Absolute Capital to review your financial condition and objectives. All transactions for such packaged products are conducted with the fund family, mutual fund platform, retirement program or insurance company sponsoring these products. Absolute Capital does not have the ability to select, allocate or execute brokerage for transactions, which is done at the product level.

When placing portfolio transactions for non packaged products (such as, but not limited to, ETFs), Absolute Capital will seek to obtain best execution for its clients by completing the following:

- Initial due diligence of multiple custodians to determine which custodial platform is best suited for our clients;
- Ongoing monitoring of execution quality (including transaction compensation) to ensure that the level of service provided is consistent with our expectations; and
- Periodically reviewing of the custodial platform(s) utilized by Adviser

In selecting custodial platform(s) to offer for Clients trading of non-packaged products, the Adviser will consider the following factors, among others:

- Custody services provided
- Infrequency and correction of trade errors
- Expertise as it relates to specific securities
- Record keeping services provided
- Transaction compensation
- Financial condition
- Business reputation
- Level of client service and responsiveness

Recommending Brokers

Absolute Capital participates in a mutual fund platform sponsored by TD Ameritrade Institutional. If you are in need of custodial services for mutual funds, we may recommend TD Ameritrade Institutional to you. If you elect this platform, you will enter into a separate written custodial agreement with TD Ameritrade Institutional. As a participant on the TD Ameritrade Institutional platform, Absolute Capital receives benefits that it would not receive if it did not provide investment advice to Clients on this platform. While there is no direct affiliation between the investment advice given to Clients and our participation in the TD Ameritrade Institutional platform, we may receive economic benefits which would not be received if we did not give investment advice to Clients or have an established relationship with TD Ameritrade Institutional. The Adviser is independently owned and operated and is not affiliated with TD Ameritrade Institutional.

These benefits do not depend on the amount of transactions that we direct to TD Ameritrade Institutional. Example of benefits received include but are not limited to a service group and an account services manager assigned to our firm's accounts, electronic download of trades, access to an electronic interface with TD Ameritrade Institutional's software, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from Client accounts, and access to hundreds of mutual funds on the TD Ameritrade Institutional platform.

If you would like to participate in the Capital Constructor, Sector Selector, Portfolio Protector CC, Bond Builder or Wealth Consolidator programs, you will be required to establish your custodial account(s) with Trust Company of America ("Program Custodian") by entering into a separate written agreement for these services. The Program Custodian provides us with custodial, operational and trading services that allow us to manage your account(s) using various security types including but not limited to ETFs. Also, the Program Custodian provides back office and other services to us. While there is no direct affiliation between the investment advice given to Clients and our recommending of the Capital Constructor Custodian, we do receive some benefits. However, these benefits do not depend on the amount of transactions we direct to the Program Custodian. Benefits we receive may include but are not limited to: assistance with back-office functions, recordkeeping and customer reporting, access to a service group and an account service manager, electronic download of trades, access to an electronic interface with Program Custodian's software, duplicate or batched client statements, confirmation or year-end summaries, and the ability to have advisory fees directly debited from Client accounts (in accordance with federal and state requirements). Absolute Capital is independently owned and operated and is not affiliated with the Program Custodian. Absolute Capital does not receive client referrals from the Program Custodian.

As part of your agreement with the Program Custodian, your transactions will be executed through the broker appointed by the Program Custodian ("Program Broker"). Your account(s) will participate in the volume transaction pricing offered, although this may or may not always be the most favorable execution of your transactions, thus in some cases may cost you more money. Absolute Capital does not participate in the selection of the Program Broker. Other advisers may or may not require you to use the Program Broker. The Program Broker may change from time to

time. In addition to the advisory fee charged by Absolute Capital, you are responsible to pay custodial fees that may include but are not limited to asset based custodial fees, transaction charges, and special services fees. In evaluating participation in the Capital Constructor, Sector Selector, Portfolio Protector CC, Bond Builder or Wealth Consolidator programs, you should consider the fees charged by the custodian and the Adviser. The fees charged by the Program Custodian have been negotiated with Absolute Capital and are subject to change based upon our total assets under management or other factors and may be higher or lower in the future.

Aggregated Trades

In managing Capital Constructor, Sector Selector, Portfolio Protector CC and Wealth Consolidator accounts, Absolute Capital may aggregate orders when trading with the same broker by bunching the order. "Bunching the order" is the process of adding together orders to purchase and sell the same security as one large order. Specifically, each Client that participates in a bunched transaction will participate at the average share price for all of the Adviser's transactions in that security with respect to that bunched order. Orders will generally be bunched for Clients participating in the same program type (growth, core, conservative, income, Sector Selector or Portfolio Protector - CC) that trade at the same trade time. Absolute Capital and/or its employees may be included side-by-side in bunched client trades. If an aggregated order is partially filled, securities are allocated pro-rata to the participating Client accounts in proportion to the size of the order placed for each account. We may, however, increase or decrease the amount of securities allocated to each account if necessary. We aggregate orders in a manner designed to ensure that no participating Client is favored over any other Client.

Item 13 Review of Accounts

The programs which are used to manage and position your accounts receive ongoing review. General conditions in the stock and bond markets are monitored to determine reallocations and areas of the market for investment. Your account is monitored in accordance with the program in which it participates. Reviews of your account may also occur if you change your investment objectives. Portfolio Manager, Brenden Gebben, is responsible for the supervision and review of all client accounts. You will receive account statements directly from your chosen custodian for your account on at least a quarterly basis. You should carefully review these statements, and inform us immediately if you do not receive such statements at least quarterly, or if they do not contain the amount of assets and positions at the beginning and end of the period, as well as details of all transactions, including fees deducted from the account, during the period.

Item 14 Client Referrals and Other Compensation

Absolute Capital has agreements in place to pay a portion of its advisory fee (usually up to 50%) to Solicitors (broker/dealers, registered investment advisers or other qualified entities) and their representatives ("Solicitor's Agent") for referring clients to us. Solicitor's Agents usually serve as your financial representative. As such, you and your financial representative will select which investment products to invest in (such as mutual funds, variable insurance products, retirement accounts or exchange traded funds). As part of your overall financial plan, we will rely on your work with your financial representative to determine your investment objectives, risk profile and program selections with us. We are not responsible for collecting additional data about your investment objectives if you are being referred to us by a Solicitor's Agent. As such, our investor profile questionnaire in our client agreement will not be a pre-requisite to enter into the program

since accounts with us may only represent a portion of your overall investment plan. Absolute Capital will manage your portfolio using the product and program that you have selected. Absolute Capital will rely on you and your financial representative to contact us with any changes in investment objectives. You can always contact Absolute Capital with any questions that you have or to review your financial situation. We may also provide marketing support to assist Solicitors and Solicitor's Agents. This support may include payments such as those for conference or meeting attendance or reimbursement for the costs of sales promotional activities or meetings in our offices.

A new Solicitor's Agent may be assigned to your account should the original Solicitor's Agent leave the business, leave the employment of the Solicitor, sell all or part of their book of business, have the account reassigned to someone else by their home office, or otherwise not be able to act in the Solicitor's Agent role for you. We reserve the right in any of the above circumstances to make the account a house account wherein we do not pay out a Solicitor's fee to anyone. This has no impact on the advisory fee you are charged.

Item 15 Custody

All clients' accounts are held in custody by unaffiliated qualified custodians, but Absolute Capital can access many clients' accounts through its ability to debit advisory fees. For this reason Absolute Capital is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and inform us immediately if they do not receive such statements at least quarterly, or if they do not contain the amount of assets and positions at the beginning and end of the period, as well as details of all transactions, including fees deducted from the account, during the period.

Item 16 Investment Discretion

Absolute Capital has investment discretion over clients' accounts. You grant Absolute Capital trading discretion through the execution of Absolute Capital's Client Agreement. You can place reasonable restrictions on Absolute Capital's investment discretion. For example, you can request that your account not participate in funds that invest in certain areas of the market.

Item 17 Voting Client Securities

Notwithstanding Absolute Capital's discretionary authority to make investment decisions on behalf of our clients, we will not exercise proxy or class action voting authority over Client securities. The obligation to vote proxies and class actions shall at all time rest with you. We shall not be deemed to have voting authority solely as a result of providing advisory services to you. You will receive your proxies or other solicitations directly from your custodian or transfer agent. Should we inadvertently receive proxy or class action information for a security held in your account, then we will immediately make a best efforts attempt to forward such information on to you, but will not take any further action with respect to the voting of such proxy or class action. Upon termination of your agreement with us, we will continue to make a good faith and reasonable attempt to forward to you any proxy or class action information we may inadvertently receive. The issuing company is generally the best source for any questions you may have about voting proxies, but you may always contact us with any questions and we will get you in contact with the appropriate resources.

Item 18 Financial Information

**ABSOLUTE CAPITAL MANAGEMENT, LLC
BALANCE SHEET**

December 31, 2010

**R.D. HOAG & ASSOCIATES**

A PROFESSIONAL CORPORATION

Certified Public Accountants

Robert D. Hoag, CPA
Robert L. Hall Jr., CPA
David A. Keefe, CPA
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Independent Auditors' Report

To the Members
Absolute Capital Management, LLC
Pittsburgh, Pennsylvania

We have audited the accompanying balance sheet of Absolute Capital Management, LLC (a Pennsylvania Limited Liability Company) as of December 31, 2010. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Absolute Capital Management, LLC, as of December 31, 2010, in conformity with auditing standards generally accepted in the United States.

R. D. Hoag & Associates, P.C.

R.D. Hoag & Associates, P.C.

Pittsburgh, Pennsylvania
February 17, 2011

ABSOLUTE CAPITAL MANAGEMENT, LLC

**Balance Sheet
December 31, 2010**

ASSETS

Current Assets

Cash	\$ 55,026
Investments (Note 2)	152,047
Accounts Receivable	<u>148,874</u>

Total Current Assets 355,947

Equipment, Net of Accumulated Depreciation 0

Total Assets \$ 355,947

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities

Accounts Payable	\$ 101,196
Accrued Expenses	102,550
Other Liabilities	<u>7,297</u>

Total Current Liabilities 211,043

Members' Equity 144,904

Total Liabilities and Members' Equity \$ 355,947

The accompanying notes are an integral part of this statement.

ABSOLUTE CAPITAL MANAGEMENT, LLC
Notes to Financial Statements
December 31, 2010

Note 1 Significant Accounting Policies

Description of Business

Absolute Capital Management, LLC is a Limited Liability Company engaged in the business of investment advisory services.

Significant accounting policies not disclosed elsewhere in the financial statements are as follows:

Basis of Accounting

The Company maintains its financial records and prepares its financial statements on the accrual method of accounting, and accordingly, reflects all significant receivables, payables, and other liabilities.

Fixed Assets and Depreciation

Fixed assets are stated at cost and are being depreciated on straight-line methods over the assets' estimated useful lives (three to five years).

Investments – Marketable Securities

The Company has elected to classify its investments in equity and debt securities as trading securities and report them at fair value, with unrealized gain or loss reported in current income.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it believes that any losses on balances outstanding at year-end will be immaterial. Therefore, no allowance for bad debts is currently provided.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the

ABSOLUTE CAPITAL MANAGEMENT, LLC
Notes to Financial Statements
December 31, 2010

Note 1 Significant Accounting Policies (Cont.)

Estimates (Cont.)

financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's tax status as a pass-through entity is based on its legal status as a Limited Liability Company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, this balance sheet does not reflect a provision for income taxes, and the Company has no other tax positions that must be considered for disclosure.

The Company's policy for penalties and interest assessed by income taxing authorities is to include them in general and administrative expenses. For 2010, the Company did not incur any interest and penalties.

The income tax returns of the Company for 2008, 2009 and 2010 are subject to examination by income taxing authorities generally for three years after they were filed.

Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through February 17, 2011, the day the financial statements were approved and authorized for issue.

Note 2 Investments

The Company adopted ASC Topic 820-10 at the beginning of the 2009 year. ASC 820 applies to all assets and liabilities that are being measured and reported on a fair value basis. ASC 820 requires new disclosure that establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to

ABSOLUTE CAPITAL MANAGEMENT, LLC
Notes to Financial Statements
December 31, 2010

Note 2 Investments (Cont.)

assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The tables below present the balances of assets and liabilities measured at fair value on a reoccurring basis by level within that hierarchy. At December 31, 2010, all investments are considered Level 1 inputs.

	Fair Value (Level 1)	Cost or Amortized Cost	Unrealized Gain (Loss)
Mutual Funds	\$ 66,983	\$ 60,210	\$ 6,773
Exchange Traded Funds	<u>85,064</u>	<u>84,196</u>	<u>868</u>
Total	<u><u>\$ 152,047</u></u>	<u><u>\$ 144,406</u></u>	<u><u>\$ 7,641</u></u>

Unrealized gains included in earnings totaled \$7,641 for 2010.

ABSOLUTE CAPITAL MANAGEMENT, LLC
Notes to Financial Statements
December 31, 2010

Note 3 Equipment (At Cost)

Equipment consists of the following:

Vehicles	\$ 109,228
Equipment and Fixtures	<u>59,856</u>
	169,084
Less: Accumulated Depreciation	<u>169,084</u>
Net Equipment	<u>\$ -0-</u>

There was no depreciation recorded for 2010.

Note 4 Profit Sharing Plan

The Company provides a 401(k) profit sharing plan for all full-time employees with a minimum age of 18 and at least one year of service. The Company can elect to match employee deferrals and make discretionary profit sharing contributions based upon plan criteria. Total matching and discretionary contributions totaled \$74,416 for the year.

Note 5 Accrued Liabilities

Accrued liabilities are comprised of accrued salaries of \$28,134 and the accrued employer contribution of \$74,416 for the Company's 401(k) profit sharing plan for the year.

Note 6 Lease Commitments

The Company leases its office facilities under a month-to-month agreement. The office facility is rented from the owner members of the Company. Total rental expense paid to members for 2010 was \$39,200.