

**Part 2A of Form ADV: Firm Brochure**

Item 1 Cover Page

**Advanced Financial Solutions, Inc. (AFS)**

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**Firm Brochure Dated: March 31, 2011**

This brochure provides information about the qualifications and business practices of Advanced Financial Solutions, Inc. If you have any questions about the contents of this brochure, please contact us at (208) 376-0091 and/or info@AFS-Idaho.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 Advanced Financial Solutions, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

As a Registered Investment Advisor, the registration does not apply to a certain level of skill or training. However, David A. Wilhite holds several Professional Designations that require ongoing continuation education.

Item 2 Material Changes

Not Applicable.

## Item 3 Table of Contents

## Table of Contents

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## Item 4 Advisory Business

**4.A. Advisory Firm:**

- Advanced Financial Solutions, Inc. (AFS) is a Registered Investment Advisory Firm and has been in business since 1993.
- David A. Wilhite is the Principal Owner/President and has had investment experience since 1982.
- AFS requires that persons in an advisory function within the firm possess, minimally, 5 years securities industry experience and one or more of the following examinations or professional designations: the NASD Series 6 or 7 examinations, the CFP designation, or the ChFC designation, as well as any examinations or designations required by the states in which they will operate. Currently David A. Wilhite is the only person determining general investment advice within the AFS firm.

**4.B. Services of Advanced Financial Solutions, Inc.:****1. Financial Planning Services:**

- AFS provides fee-based comprehensive personal and business **Financial Planning Services** through a process of establishing financial goals and objectives, gathering data, processing and analyzing information, recommending a comprehensive financial plan, and implementing the plan.
- **Option A: Full Service Comprehensive Retainer:** Client retains AFS on an **ongoing** basis to provide **unlimited** financial planning services. The **initial** service would be for AFS to provide a full service custom financial plan (hereinafter the “Plan”) consisting of a written evaluation and analysis of the information provided by the Client regarding Client’s financial goals, objectives and current situation of the client. AFS provides to the client specific recommendations which may include, but not be limited to the following: tax planning, risk management, investments, insurance, educational funding, retirement planning, employee benefits planning, corporate or business planning and coordination with personal situation, cash flow analysis, financing options and charitable strategies.
- **Option B: Limited Service Hourly Engagement:** AFS will provide limited financial advisory services for the specific areas (hereinafter the “Hourly Engagement”) defined by the client where the client acknowledges that client does not desire for AFS to review or analyze any other areas of client’s financial situation and has declined to hire AFS to prepare a comprehensive full service financial plan. Accordingly, the client agrees to hold AFS harmless from any liability arising out of any potential negative consequences to client’s situation for those areas not to be reviewed.

**2. Investment Management/Supervisory Services:**

- AFS provides fee-based Investment Management/Supervisory Services, defined as making investments for a client based on the ongoing needs and goals of the client, or supervising the investment management process being conducted by third-party Investment Managers on behalf of the client.
- AFS also offers fee-based asset management services involving the use of various commingled investment vehicles, usually mutual funds or Exchange-Traded Funds (ETFs). AFS typically allocates a client’s assets among various asset class funds in such a way as to maximize the expected return for a given level of risk, in accordance with the client’s specific goals, financial situation, risk tolerance and any investment constraints of the client.

**4.C. Advisory Services to the Individual Needs of Clients:**

- Although the investment strategy may vary from one client to another because of a client’s specific needs, in all cases the investment management strategy will be maintained by following a **disciplined standard of prudent procedure** that is germane to strategies that are commonly used within the Investment Industry. Typically the strategies used will fall under the general classification of three broad asset allocation approaches generally recognized within the industry as; “Strategic Asset Allocation”, “Tactical Asset Allocation” and “Dynamic Asset Allocation”.

**D) AFS does participate in a wrap fee program.** (Please refer to the Wrap Fee Program Brochure.)

**E) AFS Assets Under Management (as of December 2010):**

Discretionary: \$17,347,031.48, Non-Discretionary: \$2,516,238.88

## Item 5 Fees and Compensation

**5.A. Service Fees:****1. Financial Planning Service Fees:****Option A: Full Service Comprehensive Retainer.**

- **First 12 Months: .1 % of current Net Worth (NW), \$1,000 minimum.**
- Examples: \$1,000,000 Net Worth = \$1,000 Fee; \$2 Million NW = \$2,000 Fee, etc.
- The client will pay a fee to AFS (the "Original fee") for the planning services, payable 50% upon the signing of the AFS Planning Service Agreement, or \$500, whichever is less, and the balance upon delivery of the written Plan.
- **Thereafter: .05 % of current Net Worth (NW), \$300 minimum.**
- Examples: \$600,000 NW = \$300 fee, \$800,000 = \$400 fee, \$1,000,000 = \$500 fee.
- AFS agrees to provide **unlimited** financial planning services during the first twelve (12) months at **no additional fee**. Subsequent to the completion of the first twelve-month period, the Client, at the Client's sole discretion, may choose to engage AFS for additional twelve month periods.
- The fee for this service will be **.05% of the Client's current Net Worth (\$300 Minimum)**, payable on the anniversary date of the Agreement. The signing of the Planning Service Agreement does not obligate the Client in any way to engage AFS for any succeeding years.
- The Client acknowledges that AFS strongly recommends, at a minimum, an annual review of the Plan and update to assure the planning process is current and any changes necessary to the ongoing planning are made in a timely fashion.

**Option B: Limited Service Hourly Engagement.**

- The Client will pay a fee at the rate of **\$250 per hour** with a **minimum of two hours** for the Hourly Engagement services in paragraph I.B. above, payable 50% upon signing of this agreement, or \$500, whichever is less and the remainder upon delivery of the Hourly Engagement documents.
- AFS guarantees the Client's satisfaction with the Hourly Engagement. Upon the initial presentation of the Hourly Engagement, if the Client is not satisfied and if AFS is not able to rewrite the Hourly Engagement to the Client's satisfaction, then AFS will refund the total of all fees paid. The Client agrees to return the original Hourly Engagement documents to AFS upon obtaining this refund.

**2. Investment Management/Supervisory Service Fees:**

- The maximum annual fee that AFS will charge for the Investment Management Service will be established with each client, with 3% being the maximum annualized fee that may be charged to the client. AFS will provide a fee schedule to each client with an exact percentage fee based on both the management style and total asset value of the account.

**Client Fee Schedules - Annual Tiered Rate / Deducted Monthly or Quarterly:**

- **Series I - Low Risk / Non-Leveraged** = **Tiered** Rate starting at 2.25%
- **Series II - Medium Risk / Non-Leveraged** = **Tiered** Rate starting at 2.25%
- **Series III - High Risk / LEVERAGED** = **Tiered** Rate starting at 3.00%

| <b><u>Account Value</u></b>  | <b><u>Low/Medium Risk</u></b> | <b><u>High Risk</u></b> |
|------------------------------|-------------------------------|-------------------------|
| Up to \$250,000.....         | 2.25%                         | 3.00%                   |
| \$250,001 - \$500,000.....   | 2.00%                         | 2.75%                   |
| \$500,001 - \$750,000.....   | 1.75%                         | 2.50%                   |
| \$750,001 - \$1,000,000..... | 1.50%                         | 2.25%                   |
| \$1,000,001 - & above.....   | 1.50%                         | 2.00%                   |

- Lower fees for comparable services may be available from other sources. The fees on accounts over \$1 million may be negotiable. Some clients may pay lower fees than this schedule because of the nature of the services provided. Also, some accounts may be under historically different fee arrangements.

## Item 5 Fees and Compensation (Continued)

**5.A. Service Fees: (Continued)****2. Investment Management/Supervisory Service Fees: (Continued)**

- Typically, AFS will be compensated by a Solicitor's or Referral Fee paid to AFS by the recommended Service Provider(s). All such fees will be paid in compliance with SEC and applicable State Regulations. The exact fee charged by each recommended Service Provider is available in the appropriate disclosure documentation given to each client prior to signing any service agreement.
- In certain circumstances, all fees and account minimums may be negotiable. The fees charged will **never** be based on the capital gains or the capital appreciation of any funds or any part of any funds of any client (i.e., a "performance fee"). A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. Advisory fees charged by AFS are separate and distinct from fees and expenses charged by mutual fund, variable annuities, and/or variable life, or any other security which may be recommended to clients. A description of these fees and expenses are available in each security prospectus.
- The principals of Advanced Financial Solutions, Inc. who are registered representatives of SummitAlliance Securities, LLC (SummitAlliance) may provide advice on the advisability of purchasing other limited partnerships and REITs that have been reviewed and approved for sale by SummitAlliance. In addition, the principals may review existing limited partnerships or REIT investments owned by the client for the purposes of developing an appropriate financial plan or asset allocation strategy. However, such review shall not involve recommendations as to the advisability of purchasing or selling these limited partnerships or REIT investments.

**5.B. Fees to deduct Client's Assets or to bill Clients for fees incurred:****1. Financial Planning Service:**

- Client will compensate AFS for services furnished under the Financial Planning Service Agreement. The Client will be billed for the Financial Planning Service Option A or B. However, ongoing financial planning fees may be deducted from a non-qualified investment account with the client's authorization.

**2. Investment Management/Supervisory Service Fees:**

- Client will compensate AFS for all services furnished under this Agreement by the payment of fees ("Management Fees") in accordance with the provisions of this Section and agreed to by the Client and AFS. Management Fees will be assessed at the end of each Month based on the monthly daily average balance or Quarterly based on the value of the Account assets under management as of the close of business on the last business day of each quarter. In addition to the Management Fees for advisory services, the Account may be assessed transaction charges to cover the costs associated with trade execution. Fees and charges will be noted on the Client's statements or confirmations.

**5.C. Other Types of Fees or Expenses Clients may pay with Advisory Services: (Refer to Page 12 - Item 12)**

- Client understands and agrees that Client may incur certain charges imposed by third parties other than AFS or SummitAlliance in connection with investments made through the Account, including but not limited to no-load mutual fund 12 (b) 1 distribution fees, certain deferred sales charges on previously purchased mutual funds, and IRA and Qualified Retirement Plan Fees.
- Client hereby authorizes AFS, SummitAlliance, Fidelity, and/or NFS, or other approved custodian, to deduct all Management Fees and trade execution charges from the Client's Account. Client agrees to indemnify and hold AFS, SummitAlliance, Fidelity, & NFS or other approved custodian and their directors, officers, employees, representatives, agents and control persons harmless from all liabilities and costs, including attorney fees, which they may incur by acting in reliance upon this authorization. This authorization will remain in full force and effect until revoked by Client in writing, delivered personally or sent by registered or certified mail to AFS and SummitAlliance. Client further understands that revocation of this authorization could result in the termination of the Account. The minimum account size is \$100,000. This minimum amount may be reduced or waived at the discretion of AFS to accommodate certain client circumstances.

Item 5 Fees and Compensation (*Continued*)**5.D. Refund of any Prepaid Fees and Termination of Service:****1. Financial Planning Service:**

- AFS guarantees the Client's satisfaction with the Financial Plan. Upon the Initial Presentation of the Plan, if the Client is not satisfied with the Plan and if AFS is not able to rewrite the Plan to the Client's satisfaction, then AFS **will refund the total of all fees paid**. The Client agrees to return the original Plan to AFS upon obtaining this refund.
- The Financial Planning Agreement may be terminated within five (5) business days of its execution without penalty and AFS will refund all fees paid. This Agreement may also be terminated by Client or by AFS with a written notice. In this event, AFS would refund any unearned advanced fees to the Client. Unearned advanced fees are defined as one-half of the Option A Initial Fee, as stated in Section IV - paragraph one of the agreement, prorated on a monthly basis from the date of the service agreement. The unearned advanced fees would be the equivalent of the monthly amount times the remaining months contracted by the service agreement.

**2. Investment Management/Supervisory Service:**

- All notices, requests, demands and other communications required hereunder shall be in writing and shall be delivered by first class mail or facsimile transmission to each party, AFS at 4700 N. Cloverdale Road, Suite 205, Boise, ID 83713 & at each client's current address of record, or at such other address as such party may designate in writing to the other.
- This agreement may be terminated by any of the parties effective upon receipt of written notice to the other parties. Upon termination, Client shall be entitled to a refund of any management fee or deposit not already earned by AFS. AFS will advise SummitAlliance, Fidelity, and/or NFS, or appropriate custodian, to deliver securities and funds held in the Account as instructed by Client unless Client requests that the Account be liquidated. If an Account is liquidated, proceeds will be payable to Client upon settlement of all transactions in the Account. Termination of the Agreement will not affect the liabilities or obligations of the parties arising out of transactions initiated prior to termination. Client shall have the right to cancel the Agreement without penalty within five (5) business days of Client's entering into this Agreement by giving written notice of such cancellation to AFS.

**5.E. Compensation on the Sale of Securities, Other Investment Products, or Service Fees from Mutual Funds:**

- AFS and/or its principal executive officers may from time to time, receive incentive awards for the recommendation or introduction of investment products. The receipt of this compensation typically involves investment, insurance, or mortgage products. AFS may, from time to time, receive 12(b)-1 distribution fees from investment companies. AFS may be compensated for referring clients to outside money managers. Such compensation will only be accepted if it is fully disclosed to clients and such payment is in compliance with applicable SEC and State Regulations. From time to time AFS may be compensated by a Solicitor's Fee or Referral Fee paid to AFS by a recommended Service Provider(s). All such fees will only be accepted if they are paid in compliance with SEC and applicable State Regulations.
- There may be occasions where AFS will enter into solicitor arrangements with individuals and/or companies for the purpose of generating additional clients for AFS. In such cases, the fees generated will be shared via a solicitor's agreement executed between AFS and the referring individual and/or company. A disclosure document as required by SEC Rule 206(4)-3 will be provided to each client that responds to such solicitation. The solicitor's agreement and fee-sharing arrangement will not affect the fee from AFS to the client. All fees and charges incurred by the client and the fee-sharing arrangement will be completely disclosed in the disclosure document as required and will be in full compliance with SEC requirements and State regulations.
- Advanced Financial Solutions, Inc. (AFS) may also receive compensation by means of various solicitor referral fee and/or fee/commission sharing arrangements with independent Financial Industry affiliates where the necessary regulatory compliance disclosures have been established for that purpose.

Item 5 Fees and Compensation (*Continued*)**5.E.1. Conflicts of Interest:**

- AFS or individuals associated with AFS may buy or sell securities identical to those recommended to clients. It is expressed policy of AFS that no person employed by AFS may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts. AFS or any related person(s) may have an interest or position in a certain security (ies) which may also be recommended to a client.

As these situations may represent a conflict of interest, AFS has established the following restrictions in order to ensure its fiduciary responsibilities:

- A director, officer, representative or employee of AFS shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of AFS shall prefer his or her own interest to that of the advisory client.
- AFS maintains a list of all securities holdings for itself and anyone associated with its advisory practice. These holdings are reviewed on a regular basis by the executive officers and principals of AFS.
- All clients are fully informed that certain individuals may receive separate compensation when effecting transactions.
- AFS recognizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where AFS or a recommended manager is given discretionary authority over the client's accounts.
- AFS requires that all individuals must act in accordance with all applicable Federal and State Regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to termination.

**5.E.2. Clients have the option to purchase Investment Products recommended through other Brokers/Agents:**

- To the extent that specific product and/or service recommendations are made by AFS as a part of the services provided by AFS, clients are under no obligation to utilize AFS and/or David A. Wilhite for the implementation of any recommendations. However, when clients do choose to retain AFS in its capacity of Investment Management/ Supervisory services and/or David A. Wilhite in his capacity as a registered representative and/or insurance agent, AFS and/or David A. Wilhite will receive usual and customary fees and/or commissions. Thus, a client is to be aware that although AFS is obligated to provide unbiased and objective recommendations to their clients and makes every effort to do so, AFS and/or David A. Wilhite has a potential conflict of interest between their fiduciary duty to provide unbiased advice and interest in monetary gain. Therefore, clients are strongly advised to satisfy themselves that, considering the services provided, the fees and/or commissions they pay are the most favorable under the circumstances. AFS fully discloses its securities related activities, all of which are publicly traded and widely held, and other brokerage and agency affiliations in its Service Engagement Letter with the client. The potential conflict of interest is disclosed completely and is reviewed with the clients prior to consummating the signing of the Agreement.
- AFS, where appropriate and after full disclosure to clients required by law, frequently recommends that clients utilize AFS's Investment Management/Supervisory services and/or David A. Wilhite's services in his capacity as a registered representative, and an insurance agent, and/or as an employee of EverBank Banking products. However, clients are not under any obligation to engage these services when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

**5.E.3. Revenue from Advisory Clients resulting from Commissions & the Sale of Investment Products:**

- David A. Wilhite in his capacity as a registered representative, insurance agent, and/or as an employee of EverBank Banking products receives Commission items resulting in less than 50% of AFS's total revenue. However, AFS, itself receives only Fee-Based revenues.

**5.E.4. Advisory Fees in Addition to Commissions:**

- The advisory fee on a Commissionable Managed Account is waived for the first year while the account is being managed.



Item 6      *Performance-Based Fees* and Side-By-Side Management

Not Applicable.

Item 7      Types of *Clients***Types of Clients:**

- AFS generally provides investment advice to:
  - Individuals.
  - Pension and Profit Sharing Plans.
  - Trusts, Estates, or Charitable Organizations.
  - Corporations or Other Business Entities.

**Conditions for Managing Accounts and/or Financial Planning:****1. Financial Planning Service:**

- “Full Service” Financial Planning Clients will have the \$1,000 first-year minimum fee and \$300 minimum fee for subsequent years.
- “Hourly Engagement” Financial Planning Clients will have the \$250 per hour with a two hour minimum fee. Exceptions may be granted to this minimum upon request.
- These minimum amounts may be reduced or waived at the discretion of AFS to accommodate certain client circumstances. However, the independent Investment Advisors recommended through the Financial Planning Service and/or the Investment Supervisory Service has various minimums, all of which are disclosed in their respective service agreements.

**2. Investment Management/Supervisory Service:**

- AFS requires a minimum account size of \$100,000 for the Investment Management Services.
- These minimum amounts may be reduced or waived at the discretion of AFS to accommodate certain client circumstances. However, the independent Investment Advisors recommended through the Financial Planning Service and/or the Investment Supervisory Service has various minimums, all of which are disclosed in their respective service agreements.

**AFS Managed Asset Program (MAP):**

Advanced Financial Solutions, Inc. (AFS), a Registered Investment Advisor, has developed and offers an investment advisory and reporting program (the "Managed Assets Program" hereinafter referred to as "MAP") for use in the implementation of the investment management and asset allocation plans AFS has designed for their clients.

AFS will assist Clients in the establishment of a Managed Asset Program (MAP) Account (the "Account"). The client hereby grants an Advisor of AFS limited discretionary authority to purchase and sell no-load mutual funds and other mutual funds that can be purchased at Net Asset Value (NAV), Exchange Traded Funds (ETFs), or where applicable Variable Annuity, Variable Life, or Retirement Plan Sub-accounts pursuant to the investment objectives determined by Client. It is further understood and agreed by Client that transactions in other securities approved by AFS for investment in this Account, including fixed income and equities may be affected in the Account only at Client's direction.

**Investment Strategy: Core-Plus™****1. Definition:**

Advanced Financial Solutions, Inc. (AFS) primary Investment Strategy was developed over approximately a ten year period from 1995 to 2005 and since 2005 AFS has implemented and maintained this unique Absolute Return Strategy operating under the trademarked name of Core-Plus™. The objective of Core-Plus™ is to produce a positive return in both up and down market environments. It consists of a proprietary blend of strategic asset allocation; Passive – (the "Core" portion of the portfolio) and dynamic asset allocation; Active – (the tactical "Plus" portion of the portfolio). These strategies are uniquely blended for the purpose of increasing returns, reducing volatility within the portfolio and minimizing the number of portfolio changes per year. Core-Plus™ portfolios typically average about four to five portfolio adjustments per year to accommodate changing market environments.

**2. Risk:**

Core-Plus™ is offered by AFS with three general categories of Risk. Within each of the three categories there are three portfolios available with graduated levels of risk within each category making a total of nine portfolios that increase from the most conservative ("Low Risk Conservative") to the most aggressive ("High Risk Aggressive").

a. **Low Risk:** Investment Objective: Moderate Capital Gains with below-market risk and volatility. Within Low Risk there are three portfolios available: Conservative, Growth and Aggressive.

b. **Medium Risk:** Investment Objective: Moderate Capital Gains, while accepting average market risk and volatility. Within Medium Risk there are three portfolios available: Conservative, Growth and Aggressive.

c. **High Risk:** Investment Objective: Maximum Capital Gains, while accepting greater than market risk and volatility. The High Risk uses funds in the active portion of the portfolio that are designed to perform at a 2 beta ratio to the market index in which they are emulating therefore, by definition create nearly twice the market risk and volatility than the Medium Risk portfolios. Within High Risk there are three portfolios available: Conservative, Growth and Aggressive.

**3. Methodology:**

Core-Plus™ is managed using an Absolute Return strategy that is a unique blend of both active and passive management styles, based on the belief that while passive (index-based) investment management is well-diversified and effective in some parts of the markets and in some market conditions, not all parts of all markets and market conditions are well suited to the passive approach such as extended declining Bear Market conditions as experienced in 2000, 2001 and 2002 and the Bear Markets of 2007 - 2009, both of which experienced nearly 50% declines or simply sharp corrections in an up trending market that present more volatility than what is suitable for the portfolio to endure. Therefore, in those conditions an Advisor managing the Core-Plus™ strategy may deem it necessary to take active measures to counter those market conditions by applying investments that are designed to offset or "hedge" against the given market risk. **The objective of an Absolute Return strategy is to generate positive returns in both Up and Down markets.** However, the Investor should understand that the results may range from above to below market results based on the skill and

## Item 8 Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

**Investment Strategy: Core-Plus™****3. Methodology:** (Continued)

timing of these selections as well as the overall markets and furthermore, there are no guarantees that the Advisor will always be successful in obtaining a positive return in all market conditions. As a general rule, because Absolute Return Strategies are defensive in nature, they could very possibly "under perform" in a Bull market, however they are designed to have a strong probability of "outperforming" in a Bear market.

**The basic tenets under which Core-Plus™ operates include the following:**

In 1948 Alfred Jones, a Harvard graduate and former U.S. diplomat, also known as the "Father of the Hedge Fund" having started the first Hedge Fund in the United States, set forth to try to minimize risk in holding long-term stock positions by short selling other stocks, therefore "hedging" risk. This investing innovation is now referred to as the "Classic long/short hedging model" or sometimes referred to as the "Jones Model". Jones also at times employed leverage in an effort to enhance returns. The underlying concepts are as follows:

1. **Passive Portion:** The passive portion of the portfolio, in Core-Plus™ is referred to as the "**Core**", will consist mostly of asset class investments that are defensive enough to stay invested and hold even in down-trending markets. Therefore, this portion of the portfolio will for the most part continue to be invested at all times. Although the Core will be somewhat diversified, it will contain a smaller allocation of equities and larger amounts of fixed income including bonds and cash along with some alternative investments that may contain various forms of absolute return strategies within the funds or managed portfolios. These investments can be both Domestic and International or a Global blend. Typically the investment vehicle utilized for the "Core" consists of low-volatility, low risk mutual funds or variable annuity/VUL sub-accounts that have a proven track record of consistency of achieving the above stated objectives in both Up and Down market environments. Even though the "**Core**" portion of the portfolio is monitored daily, it will for the most part remain invested at all times and the funds invested in the "Core" will rarely change, maybe once every year or two or as needed if a particular fund violates the criteria required to remain in the "Core" position, whereas the "**Active**" portion will change three to five times per year. The portion of the portfolio that is allocated to the Core depends on the Investment Objectives and Risk Tolerance of the Investor. However, generally speaking the more Conservative the portfolio is, the larger the allocation of the portfolio there is for the "Core" and smaller amount for the "Active" portion and visa versa for an Aggressive portfolio. For instance where a Conservative portfolio may consist of 80% Core and 20% Active, an Aggressive portfolio may consist of only 20% Core and 80% Active.

2. **Active Portion:** Equities offer the potential for higher long-term investment returns than cash, bonds or fixed income investments. However, Equities are also more volatile in their performance. Investors seeking higher rates of return must increase the proportion of equities in their portfolio, while at the same time accepting greater variation of results (including occasional declines in value). Therefore, the active portion of the portfolio will consist of a blend of equities using Index Mutual Funds, Exchange Traded Funds (ETF's) or variable annuity/VUL sub-accounts that emulate the performance in equal proportions of the following asset classes: Large Cap, Mid Cap, Small Cap and NASDAQ indices. When the Advisor following the Core-Plus™ methodology perceives the market is in and anticipated to continue in an up trend; the "**Active**" portion of the portfolio will be invested **Long** (using Index Mutual Funds, ETF's or variable annuity/VUL sub-accounts that emulate "similar" performance to that of the above mentioned indices).

Conversely, when the Advisor following the Core-Plus™ methodology perceives the market is in or anticipated to continue in a down trending market condition; the "**Active**" portion of the portfolio will be invested **Short** (using "**Inverse**" Index Mutual Funds, ETF's or variable annuity/VUL sub-accounts that emulate the "**opposite direction**" of the performance of the above mentioned indices). It is when the "**Active**" portion of the portfolio is invested "**Short**" that provides the "**hedging**" aspect for the more conservative portfolios and additionally an opportunity for "**gain**" in the more aggressive portfolios that have a larger allocation to the active portion of the portfolio during a down trending market condition.

Given these tenets, the underlying approach to managing the Core-Plus™ strategy shall be to optimize the risk-return relationship appropriate to the Investor's needs and goals. The Portfolios will be diversified globally employing a variety of asset classes. Mutual funds, Managed portfolios, Exchange Traded Funds or variable annuity/VUL sub-accounts will be employed to implement the portfolio and the chosen asset classes will be periodically re-balanced to maintain a more consistent risk/reward profile.

Item 9      Disciplinary Information

Not Applicable.

## Item 10 Other Financial Industry Activities and Affiliations

**10.A. Registered Representative of a Broker/Dealer:**

- Advanced Financial Solutions, Inc. is only in the business of rendering investment advice and financial planning on a fee basis. However, the principal executive officer of AFS, David A. Wilhite, is also a Registered Representative of a broker/dealer, SummitAlliance Securities, LLC (SummitAlliance).
- Through his licensing with SummitAlliance, he also has available mutual funds, exchange traded funds (ETFs), variable annuities, variable life, limited partnerships, and other securities that have been reviewed and approved for sale through SummitAlliance.
- In addition, he is appointed with several Insurance Companies. He is also an employee of EverBank with access to Banking products for clients. He is Founder and President of a web-based business, ActivePortfolioCoach.com, Inc., that provides a weekly E-newsletter to other Financial Professionals.

**10.B. Futures or Commodities Advisor:**

- AFS or principal officers are not registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

**10.C. Relationships or Arrangements Material to Advisory Business:****10.C.1. Broker/Dealer:**

- The principal executive officer of AFS is a registered principal and registered representative of SummitAlliance Securities, LLC, a registered Broker/Dealer and member of FINRA & SIPC. As such, he will be able to effect securities transactions and may receive separate, yet customary compensation for effecting any securities transactions. However, AFS recognizes the unrestricted right of the client to select and choose any broker/dealer the client wishes, except in situations where the client has engaged AFS's Investment Management and/or Investment Supervisory services where either AFS or the recommended Investment Advisory firm is given discretionary authority over the client's account.

**10.C.2. Investment Company or Other Pooled Investment Vehicle**

- Not Applicable

**10.C.3. Other Investment Advisory Firms:**

- AFS may on occasion, recommend the use of other Investment Advisory firms as a part of its Investment Supervisory Services. The client should further understand that when AFS is selecting and monitoring other Investment Advisory firms, AFS will most likely be sharing a portion of the management fees being charged.

**10.C.4. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor**

- Not Applicable.

**10.C.5. Banking or Thrift Institutions:**

- In certain circumstances, AFS Investment and/or Financial Planning services might also be marketed through banks and thrifts, provided that such marketing is done in compliance with applicable SEC and State Regulations.

**10.C.6. Accounting Firms:**

- AFS has affiliations with CPA's and/or various accounting firms as a part of the team approach to comprehensive financial planning. However, even though AFS has retained these services to advise AFS in tax-related issues, the client's of AFS are under no obligation to use any of these individuals or firms to provide accounting and/or tax services.

**10.C.7. Law Firms:**

- AFS has affiliations with attorneys and/or various law firms as a part of the team approach to comprehensive financial planning. However, even though AFS has retained these services to advise AFS in legal-related issues, the client's of AFS are under no obligation to use any of these individuals or firms to provide legal services.

Item 10 Other Financial Industry Activities and Affiliations (*Continued*)**10.C.8. Insurance Agent/Broker:**

- In addition to AFS's principle executive officer, David A. Wilhite's insurance affiliations as previously disclosed in 7C above, AFS has affiliations with other Insurance professionals and various Insurance Agencies as a part of the team approach to comprehensive financial planning. However, even though AFS has retained these services to advise AFS in insurance-related issues, the client's of AFS are under no obligation to use any of these individuals or agencies to provide insurance products and services.

**10.C.9. Pension Consultants:**

- AFS has affiliations with Pension Consultants as a part of the team approach to comprehensive financial planning. However, even though AFS has retained these services to advise AFS in pension-related issues, the client's of AFS are under no obligation to use any of these individuals or firms to provide pension services.

**10.C.10. Real Estate Broker or Dealer (including Mortgage Brokers):**

- AFS has affiliations with Real Estate and/or Mortgage Brokers or Dealers as a part of the team approach to comprehensive financial planning. However, even though AFS has retained these services to advise AFS in Real Estate-related issues, the client's of AFS are under no obligation to use any of these individuals or firms to provide Real Estate or Mortgage services.

**10.C.11. Sponsor or Syndicator of Limited Partnerships.**

- Not applicable.

**10.D. Additional Compensation:**

- AFS and/or its principle executive officers may from time to time, receive incentive awards for the recommendation or introduction of investment products. The receipt of this compensation typically involves investment, insurance, or mortgage products. AFS may, from time to time, receive 12(b)-1 distribution fees from investment companies. AFS may be compensated for referring clients to outside money managers. Such compensation will only be accepted if it is fully disclosed to clients and such payment is in compliance with applicable SEC and State Regulations. From time to time AFS may be compensated by a Solicitor's Fee or Referral Fee paid to AFS by a recommended Service Provider(s). All such fees will only be accepted if they are paid in compliance with SEC and applicable State Regulations.

**Code of Ethics and Professional Responsibility****Integrity:** Provide professional services with integrity.

- Integrity demands honesty and candor, which must not be subordinated to personal gain and advantage. The ultimate source of trust is personal integrity. Allowance can be made for innocent error and legitimate differences of opinion, but integrity cannot co-exist with deceit or subordination of one's principles.

**Objectivity:** Provide professional services objectively.

- Objectivity requires intellectual honesty and impartiality, to protect the integrity of one's work, to maintain objectivity, and to avoid subordination of judgment.

**Competence:** Maintain the knowledge and skill necessary to provide professional services competently.

- Competence means attaining, maintaining, and providing an adequate level of knowledge and skill. Competence also includes the wisdom to recognize the limitations of that knowledge and to consult other professionals when necessary.

**Fairness:** Be fair and reasonable in all professional relationships and disclose conflicts of interest.

- Fairness requires impartiality, intellectual honesty, and disclosure of material conflicts of interest. It involves a sub-ordination of one's own feelings, prejudices, and desires to achieve a proper balance of conflicting interests. Fairness is treating others in the same way that you would want to be treated.

**Confidentiality:** Protect the confidentiality of all client information.

- Confidentiality means ensuring that information is accessible only to those authorized to have access. A relationship of trust and confidence with the client can only be built upon the understanding that the client's information will remain confidential.

**Professionalism:** Act in a manner that demonstrates exemplary professional conduct.

- Professionalism requires behaving with dignity and courtesy to clients, fellow professionals, and others in business-related activities.

**Diligence:** Provide professional services diligently.

- Diligence is the provision of services in a reasonably prompt and thorough manner, including the proper planning for, and supervision of, the rendering of professional services.

**Participation or Interest in Client Transactions**

- To the extent that specific product and/or service recommendations are made by AFS as a part of the services provided by AFS, clients are under no obligation to utilize AFS and/or David A. Wilhite for the implementation of any recommendations.
- However, when clients do choose to retain AFS in its capacity of Investment Management/ Supervisory services and/or David A. Wilhite in his capacity as a registered representative and/or insurance agent, AFS and/or David A. Wilhite will receive usual and customary fees and/or commissions. Thus, a client is to be aware that although AFS is obligated to provide unbiased and objective recommendations to their clients and makes every effort to do so, AFS and/or David A. Wilhite has a potential conflict of interest between their fiduciary duty to provide unbiased advice and interest in monetary gain.
- Therefore, clients are strongly advised to satisfy themselves that, considering the services provided, the fees and/or commissions they pay are the most favorable under the circumstances.
- AFS fully discloses its securities related activities, all of which are publicly traded and widely held, and other brokerage and agency affiliations in its Service Engagement Letter with the client.
- The potential conflict of interest is disclosed completely and is reviewed with the client prior to consummating the signing of the Agreement.



**12.A. Investment of Brokerage Discretion:**

- Upon receiving written authorization from the client, the applicant's president may manage client assets on a discretionary basis. When he does, he limits his discretionary authority by prohibiting himself from withdrawing funds and/or securities from client accounts. In addition, discretionary authority is limited to no-load funds, load funds at NAV, exchange traded funds (ETFs), and exchanges in variable annuity, variable life, and retirement sub-accounts. It is further understood and agreed by Client that transactions in other securities approved by AFS for investment in this Account, including fixed income and equities may be affected in the Account only at Client's direction.
- Furthermore, for Investment Management Services, AFS requires clients to use SummitAlliance Securities, LLC (SummitAlliance), an affiliated Broker/Dealer, as broker, because brokerage commissions will be waived by this related firm and its representatives for securities transactions made on behalf of AFS accounts. However, ticket charges (the actual cost of each trade, typically \$20 to \$35, plus exchange fees) will be passed on to a client at the representative's discretion in the AFS accounts. The representative will discuss this situation with each client.
- With AFS's Investment Supervisory Services, discretionary authority to select a broker and to negotiate commissions is typically given to the recommended Investment Manager.

**12.A.1. Research and Other Soft Dollar Benefits:**

- Not Applicable.

**12.A.2. Brokerage for Clients:**

- AFS may recommend SummitAlliance Securities, LLC (SummitAlliance), the Broker/Dealer which AFS's President, David A. Wilhite is a registered principle, to a client in need of brokerage and/or custodial assistance. SummitAlliance has a wide range of approved securities products for which it performs due diligence in selection and that when David A. Wilhite is implementing securities transactions in his capacity as a registered representative, he is required to use SummitAlliance and adhere to these products. However, clients are not under any obligation to affect trades through any recommended broker. All clients are free to select any broker or dealer of his or her choice.
- Furthermore, when a client engages AFS's Investment Management Services, the client will grant AFS limited discretionary authority to purchase and sell no-load mutual funds and other mutual funds that can be purchased at Net Asset Value (NAV), exchange traded funds (ETFs), and/or to make exchanges in variable life or variable annuity and/or Retirement Plan sub-accounts pursuant to the investment objectives determined by the Client.
- On occasion there will be front-end, deferred and/or transaction fee funds utilized if warranted for the client's investment needs and objectives. It is understood and agreed by Client that transactions in any other securities for investment in these managed accounts, including fixed income and/or equities and/or loaded mutual funds, may be effected in the Account only at the Client's direction.

**12.A.3. Directed Brokerage:**

- Not Applicable.

**Periodic Review of Accounts or Financial Plans:****1. Financial Planning Service:**

- Full service and limited service financial planning clients may contract for an annual review, which is conducted by David A. Wilhite, CFP®. This review encompasses: current tax and cash flow studies, specific and general investment recommendations, tax planning recommendations, insurance recommendations, and other applicable topics.

**2. Investment Management/Supervisory Service:**

- Assets under management client accounts, including third-party money manager accounts, will be reviewed as needed no less than quarterly.

**Reviews Other than a Periodic Basis:****1. Financial Planning Service:**

- Clients may request additional items to be reviewed and/or request special planning services.

**2. Investment Management/Supervisory Service:**

- AFS Rep will be available to answer client questions and to review the account at the client's request. Triggering factors include material, market, economic, or political events. All accounts will be reviewed by the president of AFS. The number of accounts will never exceed a number that would compromise the standards of AFS.

**Content and Frequency of Regular Reports:****1. Financial Planning Service:**

- Full service financial planning clients receive a written report varying in length and depth of analysis, depending upon the level of service agreed upon. Full service and limited service financial planning clients will receive an update, describing the annual review, upon request. The frequency of reports for financial planning clients will depend upon each client's needs.

**2. Investment Management/Supervisory Service:**

- Clients with assets under management will receive either monthly or quarterly statements depending on the investment account and the account custodians. Clients will receive quarterly performance reports, prepared by AFS or by a report provider contracted by AFS, with a written quarterly newsletter.

**Compensation for Client Referrals:**

- There may be occasions where AFS will enter into solicitor arrangements with individuals and/or companies for the purpose of generating additional clients for AFS. In such cases, the fees generated will be shared via a solicitor's agreement executed between AFS and the referring individual and/or company. A disclosure document as required by SEC Rule 206(4)-3 will be provided to each client that responds to such solicitation. The solicitor's agreement and fee-sharing arrangement will not affect the fee from AFS to the client. All fees and charges incurred by the client and the fee-sharing arrangement will be completely disclosed in the disclosure document as required and will be in full compliance with SEC requirements and State regulations.

**Additional Compensation:**

- AFS and/or its principal executive officer(s) may from time to time, receive incentive awards for the recommendation or introduction of investment products. The receipt of this compensation typically involves investment, insurance, or mortgage products. AFS may, from time to time, receive 12(b)-1 distribution fees from investment companies. AFS may be compensated for referring clients to outside money managers. Such compensation will only be accepted if it is fully disclosed to clients and such payment is in compliance with applicable SEC and State Regulations. From time to time AFS may be compensated by a Solicitor's Fee or Referral Fee paid to AFS by a recommended Service Provider(s). All such fees will only be accepted if they are paid in compliance with SEC and applicable State Regulations.

**Third Party Money Managers:**

- AFS may establish agreements with third party money managers offering a wide range of advisory services including asset allocation, market timing, and portfolio management. AFS will solicit the services of the recommended third party money managers. A client may select a recommended money manager based on the client's needs. AFS will be available to meet with the client on a continuous basis. Clients should be aware that the solicitor or sub-advisor fees paid to AFS differ among recommended money manager programs. There are conflicts of interest which may affect the independent judgment of AFS in the recommendation of one money manager program over another. AFS will be compensated by a solicitor's fee or sub-advisor fee paid to AFS by the recommended money manager.

**Account Custodians:**

- Typically, brokerage transactions in the account will be processed by SummitAlliance Securities, LLC (SummitAlliance), a full service Broker/ Dealer and then cleared through Fidelity Investments (Fidelity) pursuant to a clearing arrangement established by SummitAlliance with Fidelity. Neither SummitAlliance nor AFS will act as a custodian for any Account. The custody of all funds and securities will be maintained by National Financial Services LLC (NFS) with the exception of agreements entered into by AFS that allow for the management and valuation of client's variable annuity, variable life, and/or retirement plan sub-accounts where the custody will be maintained by other custodians.
- Clients may receive from AFS &/or SummitAlliance quarterly performance reports describing Account performance, holdings and other activity. During any month in which there is activity in the Account, Client will receive a monthly Account statement from Fidelity or other approved custodian showing the Account activity as well as positions held in the Account at month end. No less than quarterly the Client will also receive a confirmation of each purchase and sale transaction that occurs within the Account.

**Investment Management Service:**

- Advanced Financial Solutions, Inc. (AFS), a Registered Investment Advisor, has developed and offers an investment advisory and reporting program (the "Managed Assets Program" hereinafter referred to as "MAP") for use in the implementation of the investment management and asset allocation plans AFS has designed for their clients.
- AFS will assist Clients in the establishment of a Managed Asset Program (MAP) Account (the "Account"). The client hereby grants an Advisor of AFS limited discretionary authority to purchased and sell no-load mutual funds and other mutual funds that can be purchased at Net Asset Value (NAV), Exchange Traded Funds (ETFs), or where applicable Variable Annuity, Variable Life, or Retirement Plan Sub-accounts pursuant to the investment objectives determined by Client. It is further understood and agreed by Client that transactions in other securities approved by AFS for investment in this Account, including fixed income and equities may be affected in the Account only at Client's direction.

Not Applicable.

**18.A.** AFS does not require or solicit pre-payment of more than \$500 in fees per client, six months or more in advance.

**18.B.** AFS has limited discretionary authority of client's accounts, as per the Investment Management Agreement on file, but does not require or solicit pre-payment of more than \$500 in fees per client, six months or more in advance.

**18.C.** AFS or its principal owners have not been subject to Bankruptcy at any time during the past ten years.

## Item 19 Requirements for State-Registered Advisers

**19.A. Educational and Business Standards**

- AFS requires that persons in an advisory function within the firm possess, minimally, 5 years securities industry experience and one or more of the following examinations or professional designations: the NASD Series 6 or 7 examinations, the CFP® designation, or the ChFC designation, as well as any examinations or designations required by the states in which they will operate.
- Currently David A. Wilhite is the only person determining general investment advice within AFS firm.

**Education and Business Background of AFS Key Officers and Principals:**

- DAVID ARTHUR WILHITE Born: 1948

**Education:**

- Boise State University, Boise, ID 1966-1970, Bachelor of Science - Mathematics
- Great Commission International School of Theology, 1976-1981, Assoc. Biblical
- College of Financial Planning, Denver, CO 1993-1994, CFP Prof. Educ. Program

**Business Background:**

- Advanced Financial Solutions, Inc., Investment Advisory Firm, President 1993 - Present
- Core-Plus™ Investment Strategy, Author and Developer 2001 - Present
- ActivePortfolioCoach.com, Inc, E-Newsletter to Fin.Professionals, Owner 2006 - Present
- Money Management Platform with SummitAlliance Capital Mgmt, LLC 2009 - Present
- SummitAlliance Securities, LLC, Broker/Dealer, Reg.Rep/Branch Manager 2009 - Present
- Securities Service Network, Inc., Broker/Dealer, Reg.Rep/Branch Manager 2002 - 2009
- Securities America, Inc., Broker/Dealer, Reg.Rep./Branch Manager 1997 - 2002
- Chubb Securities Corporation, Broker/Dealer, Reg.Rep. 1993 - 1997
- Chubb Life America, Life/Disability, Prod General Agent 1993 - 1996
- World Marketing Alliance, Fin Serv, National Marketing Director 1992 - 1993
- Primerica Financial Services/ALW, Fin Serv, National Sales Director 1982 - 1991

**19.B. Actively engaged in any business (other than giving investment advice):**

- Approximately 10% of time spent on Financial Planning issues not involving securities.

**19.C. Compensation for advisory services with performance-based fees.**

- Not Applicable.

**19.D.1. An award or found liable in an arbitration claim alleging damages.**

- Not Applicable.

**19.D.2. An award or found liable in a civil, self-regulatory organization, or administrative proceeding.**

- Not Applicable.

**19.E. Any relationship or arrangement with any issuer of securities**

- Not Applicable.