



MALLARD ADVISORS LLC

*Comprehensive Financial Planning
& Wealth Management Solutions*

Firm Brochure - Part 2A of Form ADV

1/1/2011

Mallard Advisors, LLC

Hockessin Office

This brochure provides information about the qualifications and business practices of MALLARD ADVISORS, LLC. If you have any questions about the contents of this brochure, please contact us at: 302-239-1654 OR 302-737-4546, or by email at: bill@mallardadvisors.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 MALLARD ADVISORS, LLC is available on the SEC's website at www.adviserinfo.sec.gov

1041 Valley Road
Hockessin, DE 19707
302-239-1654
302-397-2675 (FAX)
www.mallardadvisors.com
bill@mallardadvisors.com

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

This Brochure dated January 1, 2011 is a new document prepared in accordance with the revisions to Form ADV Part 2.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business's fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Material Changes Since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative "plain English" format. The new final rule specifies mandatory sections and organization.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 302-239-1654 OR 302-737-4546 or by email at: bill@mallardadvisors.com.

Additional information about Mallard Advisors, LLC is available via the SEC's web site at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Mallard Advisors, LLC who are registered as Investment Advisor Representatives.

Contents

Material Changes.....	i
Annual Update	i
Material Changes Since the Last Update.....	i
Full Brochure Available	i
Advisory Business	1
Firm Description.....	1
Principal Owners.....	2
Tailored Relationships	2
Types of Services	2
Project Planning = Stand-Alone Financial Plan for New Clients	2
Annual Retainer = On-going Financial Planning & Investment Advice.....	3
Investment Management Program.....	3
Tax Preparation Agreement.....	4
Hourly Planning Engagements	4
Termination of Agreement	4
Fees and Compensation.....	4
Fee Billing	8
Other Fees.....	9
Conflicts of Interest	9
Performance-Based Fees	11
Sharing of Capital Gains	11
Types of Clients.....	11
Description	11
Account Minimums.....	11
Methods of Analysis, Investment Strategies, and Risk of Loss.....	12
Methods of Analysis.....	12
Investment Strategies	12
Risk of Loss	13
Disciplinary Information	14
Legal and Disciplinary.....	14
Other Financial Industry Activities and Affiliations	14
Affiliations	14

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	15
Code of Ethics	15
Participation or Interest in Client Transactions.....	15
Personal Trading.....	15
Brokerage Practices.....	15
Selecting Brokerage Firms.....	15
Best Execution	16
Soft Dollars	16
Order Aggregation	16
Review of Accounts	16
Periodic Reviews	16
Regular Reports.....	17
Client Referrals and Other Compensation	17
Incoming Referrals.....	17
Referrals Out	17
Other Compensation.....	17
Custody	18
Custody & Account Statements	18
Investment Discretion.....	18
Discretionary Authority for Trading.....	18
Limited Power of Attorney.....	19
Voting Client Securities	19
Proxy Votes	19
Financial Information	19
Financial Condition	19
Business Continuity Plan	20
General	20
Disasters	20
Alternate Offices	20
Loss of Key Personnel	20
Information Security Program.....	20
Information Security	20
Privacy Notice	20

Brochure Supplement (Part 2B of Form ADV)	22
Education and Business Standards	22
Professional Certifications	22
William D. Starnes, CFP, ChFC, MST	23

Advisory Business

Firm Description

Mallard Advisors, LLC, (“Mallard”) was founded in 2003. It succeeded Mallard Asset Management Corporation, which was founded in 1996. This brochure describes the business conducted by Mallard’s Hockessin office. Mallard also has an office in Newark, Delaware, and that office has its own brochure. All future references to Mallard in this document refer to the Hockessin office.

Mallard is a fee-only firm that provides personalized confidential financial planning and investment management to individuals, families, pension and profit sharing plans, trusts, estates, and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Mallard is strictly a fee-only financial planning and investment management firm. At Mallard Advisors, we don’t sell financial products such as annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder’s fees or referral fees are accepted.

While investment advice is an integral part of financial planning, Mallard also advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

We provide investment advice, and generally execute recommendations. Mallard does not act as a custodian of client assets. Clients always maintain asset control, through an independent custodian that holds the assets, and directly provides clients with regular statements. When Mallard is responsible for executing trades for clients, we do this under a limited power of attorney with a third-party independent custodian.

Depending on the services selected by the clients, recommendations may take a variety of forms including financial statements, written evaluations, personal meetings, etc.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client, the most appropriate services, and to estimate the cost for the service.

Principal Owners

William D. Starnes is a 50% stockholder, and Paul S. Baumbach is a 50% stockholder (this is of Mallard Advisors, LLC, not solely the Hockessin office).

Tailored Relationships

The goals and objectives for each client are discussed and/or documented in writing. Financial plans and investment policy statements are created that reflect the stated goals and objectives. In some cases, clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent. This means we cannot transfer your file to another advisory firm without your permission.

Types of Services

We work with new clients on a short-term Project basis; and on-going clients on either a full-service Annual Retainer, or an Investment Management basis.

Project Planning = Stand-Alone Financial Plan for New Clients

The Project Retainer is a "stand-alone" review addressing new clients' specific financial concerns. It may be as simple as a one hour meeting, or more typically results in a comprehensive financial plan presented in two sessions.

We believe in starting our relationships on a project basis for several reasons. First, it allows new clients to evaluate our services prior to establishing a long-term relationship. Second, it allows us to price our services based on our clients' unique circumstances and desires. Third, it allows us to begin a potential long-term relationship on the right foot.

Detailed investment advice and specific recommendations are generally provided as part of a financial plan. The Project Retainer does not necessarily constitute a comprehensive financial planning engagement and follow-up advice and/or implementation assistance is not provided following the completion of the project. Upon completion of the project, accounts will not be managed or monitored. Follow-up implementation work (if desired) is billed separately at our hourly rate.

After the project is complete, clients who desire *on-going* assistance choose either the Annual Retainer or Investment Management program.

With a Project Retainer, if we make investment recommendations, these are provided on a **non-discretionary** investment advice arrangement. In addition, we provide no investment trading for project clients. In other words, Mallard does not have authority over clients' funds and does not execute trades in clients' accounts. The client is not required to follow any recommendations made by Mallard. The client is solely responsible to implement any recommendations made by Mallard.

Annual Retainer = On-going Financial Planning & Investment Advice

The Annual Retainer is a personal advisory program providing on-going investment, financial, and tax planning services. The annual retainer is designed to provide our clients with the peace of mind in having a dedicated financial advisor able to coordinate their tax, investment, and financial lives into a single holistic on-going financial independence program.

The Annual Retainer includes two scheduled appointments throughout the year. Appointments will address areas such as investments, tax planning, financial security, cash flow, and tax return preparation. In addition to these scheduled appointments, this open-ended retainer allows clients to call or visit at any time, for any reason, at no additional cost.

This program is designed for those who want on-going advice, education, and implementation assistance covering all aspects of their financial lives with the goal of establishing a long-term partnership with a trusted advisor. It is through this type of relationship that our clients receive the greatest service and cost benefits.

Mallard Advisors will enter into an agreement with our clients that details the scope of the relationship and responsibilities of us and our clients. Advice and services provided under the agreement are tailored to the stated objectives of our client(s).

Investment advice is provided to Retainer clients on a **non-discretionary basis**. Non-discretionary authority requires us to obtain your approval prior to executing investment recommendations. Mallard will act in accordance with a Statement of Investment Policy (or a similar document used to establish your objectives and suitability), regardless of whether authority is discretionary or non-discretionary. We will only execute transactions for clients when specifically requested and authorized by you in writing (via a fully executed limited power of attorney "LPOA").

Investment Management Program

An *Investment Management* program may be preferred for clients looking solely for disciplined on-going, discretionary investment oversight including investment selection, trading, monitoring, and reporting. This service level does **not** provide for any other services such as financial advice, tax preparation, or scheduled face-to-face meetings. We have priced the program without these additional services to keep the cost as low as possible. If other services are provided, they will be billed at our hourly rate.

Assets are invested primarily in no-load mutual funds and exchange-traded funds, through a discount broker. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. Mallard does not receive any compensation, in any form, from fund companies.

Initial public offerings (IPOs) are not available through Mallard.

With the Investment Management program, Mallard has **discretionary authority** to execute investment recommendations. Discretionary authority allows Mallard to act on behalf of our clients in most matters necessary or incidental to the handling of the account, including monitoring certain assets, without the client's prior approval. We will only execute transactions for clients when specifically requested and authorized by you in writing (via a fully executed limited power of attorney "LPOA").

Tax Preparation Agreement

Tax preparation may be included as part of the *Annual Retainer Agreement*. This is determined jointly with the client.

Hourly Planning Engagements

Mallard occasionally provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is **\$245**.

Termination of Agreement

A client may terminate any of the aforementioned agreements at any time by notifying Mallard in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, Mallard will refund any unearned portion of the advance payment.

Mallard may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, Mallard will refund any unearned portion of the advance payment.

Fees and Compensation

Project Planning – Mallard's project planning fees are not negotiable and are set for 2011 at \$245/hour. The fee for a financial plan is predicated upon the facts known at the start of the engagement. There is no minimum fee and the fee is not negotiable. In the event that a client requires unforeseen additional financial planning and/or consultation services (after the initial quote has been provided),

Mallard may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

Annual Retainer – The Annual Retainer provides comprehensive financial planning for a fixed fee that is adjusted annually.

Annual retainer fees are *not negotiable* and generally range (but may be higher or lower) from \$2,000 to \$18,000 and are billed quarterly and due on the first day of each quarter (Jan, April, July, Oct). This fee is calculated based upon a formula considering: (1) net worth; and the (2) involvement/income of the client. In addition, the fee may then be adjusted by Other Services.

1. **Net Worth** Component of the fee – This component is calculated as follows:

Net Worth Equal to or Greater Than	Yet, Net Worth Equal To or Less Than	Net Worth Component of Retainer Fee
\$1	\$49,999	\$1,750
\$50,000	\$99,999	\$1,750
\$100,000	\$149,999	\$1,750
\$150,000	\$199,999	\$1,750
\$200,000	\$249,999	\$2,000
\$250,000	\$299,999	\$2,000
\$300,000	\$349,999	\$2,000
\$350,000	\$399,999	\$2,000
\$400,000	\$449,999	\$2,000
\$450,000	\$499,999	\$2,250
\$500,000	\$549,999	\$2,250
\$550,000	\$649,999	\$2,500
\$650,000	\$749,999	\$2,867
\$750,000	\$849,999	\$2,957
\$850,000	\$949,999	\$3,339
\$950,000	\$1,049,999	\$3,625
\$1,050,000	\$1,149,999	\$3,911
\$1,150,000	\$1,249,999	\$4,407
\$1,250,000	\$1,349,999	\$4,753
\$1,350,000	\$1,449,999	\$5,104
\$1,450,000	\$1,549,999	\$5,306
\$1,550,000	\$1,649,999	\$5,511
\$1,650,000	\$1,749,999	\$5,667
\$1,750,000	\$1,849,999	\$5,930
\$1,850,000	\$1,949,999	\$6,197
\$1,950,000	\$2,049,999	\$6,468
\$2,050,000	\$2,149,999	\$6,743
\$2,150,000	\$2,249,999	\$7,021
\$2,250,000	\$2,349,999	\$7,304
\$2,350,000	\$2,449,999	\$7,534
\$2,450,000	\$2,549,999	\$7,824
\$2,550,000	\$2,649,999	\$8,117
\$2,650,000	\$2,749,999	\$8,414
\$2,750,000	\$2,849,999	\$8,715
\$2,850,000	\$2,949,999	\$9,020
\$2,950,000	\$3,049,999	\$9,270
\$3,050,000	\$3,149,999	\$9,582
\$3,150,000	\$3,249,999	\$9,898
\$3,250,000	\$3,349,999	\$10,217
\$3,350,000	\$3,449,999	\$10,541
\$3,450,000	\$3,549,999	\$10,868
\$3,550,000	\$3,649,999	\$11,199
\$3,650,000	\$3,749,999	\$11,534
\$3,750,000	\$3,849,999	\$11,873
\$3,850,000	\$3,949,999	\$12,215
\$3,950,000	\$4,049,999	\$12,561

Net Worth Equal to or Greater Than	Yet, Net Worth Equal To or Less Than	Net Worth Component of Retainer Fee
\$4,050,000	\$4,149,999	\$12,784
\$4,150,000	\$4,249,999	\$13,137
\$4,250,000	\$4,349,999	\$13,493
\$4,350,000	\$4,449,999	\$13,854
\$4,450,000	\$4,549,999	\$14,218
\$4,550,000	\$4,649,999	\$14,587
\$4,650,000	\$4,749,999	\$14,852
\$4,750,000	\$4,849,999	\$15,226
\$4,850,000	\$4,949,999	\$15,493
\$4,950,000	\$5,049,999	\$15,873
\$5,050,000	\$5,149,999	\$16,007
\$5,150,000	\$5,249,999	\$16,392
\$5,250,000	\$5,349,999	\$16,663
\$5,350,000	\$5,449,999	\$17,053
\$5,450,000	\$5,549,999	\$17,326
\$5,550,000	\$5,649,999	\$17,722
\$5,650,000	\$5,749,999	\$17,996
\$5,750,000	\$5,849,999	\$18,453
\$5,850,000	\$5,949,999	\$18,785
\$5,950,000	\$6,049,999	\$19,249
\$6,050,000	\$6,149,999	\$19,583
\$6,150,000	\$6,249,999	\$20,054
\$6,250,000	\$6,349,999	\$20,391
\$6,350,000	\$6,449,999	\$20,868
\$6,450,000	\$6,549,999	\$21,207
\$6,550,000	\$6,649,999	\$21,546
\$6,650,000	\$6,749,999	\$22,033
\$6,750,000	\$6,849,999	\$22,374
\$6,850,000	\$6,949,999	\$22,715
\$6,950,000	\$7,049,999	\$23,211
\$7,050,000	\$7,149,999	\$23,554
\$7,150,000	\$7,249,999	\$23,898

2. **Involvement / Income** – Because the involvement associated with any one client can vary tremendously, and this variation cannot be captured solely by a formula, a complexity/involvement factor is used to reflect the time associated with working with the client. Factors affecting involvement can be the specific issues confronting the client, the amount of anticipated implementation assistance, complexity of tax return, complexity of their investment assets, employment status (i.e., self-employed vs. employee), and any other factor the Mallard may anticipate affecting the time involved during the renewal year.

Involvement is measured on a scale of zero (0) to four (4) with one (0) reflecting “lower” involvement and a four (4) reflecting “highest” involvement. The Involvement fee is calculated as a percentage of client income as follows:

Complexity / Involvement Description		Complexity / Involvement Fee Component Calculation
0	Lower	.25% of Total Income
1	Moderate / Low	.50% of Total Income
2	Moderate	.75% of Total Income
3	Higher	1.00% of Total Income
4	Highest	1.25% of Total Income

“Total Income” includes gross employee compensation, net self-employment income, investment income (taxable and tax-free), IRA distributions, Roth Conversions, annuity income, pension income, gross Social Security income, net cash investment real estate income, etc. Capital gains are NOT considered part of “total income” when calculating the “complexity / income” component of the fee calculation.

Addition of the “net worth component” of the fee calculation with the “involvement / income” component of the fee calculation results in the total annual retainer fee. For example, a client with a net worth of \$1 million, income of \$100,000, and an involvement factor of “Higher” would have the following fee:

- Net Worth Component \$3,625 (from table above)
- Involvement / Income Component \$1,000 (\$100,000 * 1.00%)
- Total Annual Retainer Fee \$4,625

The net worth and income is derived from the last review of the calendar year, and not as of any specific date in particular. Fees are calculated for the following year using current year (estimated) income and (actual) net worth information calculated at the time of the review. Much of this data is supplied by the client and all of it is reviewed with the client in our meeting. For example, the 2012 fee is based upon an estimate of 2011 income/net worth calculated for our last 2011 meeting.

Other Services – Other services include a fee of \$100 for the preparation of any additional tax returns (e.g., children’s returns), or amended tax returns prepared by other tax preparers, or amended tax returns for errors not resulting from the actions of Mallard.

Prorating the Annual Retainer Fee - The annual fee shall be prorated if necessary (as explained in detail of Appendix A of our Standard Renewal Retainer Agreement).

Investment Management – Investment management fees are calculated as a percentage of Assets Under Management (AUM). Fees are calculated and assessed at the conclusion of the calendar quarter (i.e., arrears), assessed on the AUM as of the end of the quarter. Quarterly fees are subject to a \$250 minimum amount.

Current client relationships may exist where the fees are higher or lower than the fee schedule below.

First \$500,000	0.75%
Next \$1,000,000	0.60%
Next \$3,500,000	0.45%
Next \$5,000,000	0.40%
Next \$990 million	0.25%
Amount > \$1 billion	0.05%

The Investment Management Agreement is an ongoing agreement and constant adjustments are required. You or Mallard may terminate an Agreement by written notice to the other party.

At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination. Upon termination, Mallard will have no obligation to monitor or take any action with regard to the account(s) previously managed.

Fees are *NOT NEGOTIABLE*.

Fee Billing

1. **Project Planning** – Fees for project planning are billed 50% in advance, with the balance due upon completion of the financial planning engagement. Project planning fees are paid by check alone. No cash or credit cards are accepted. Fees are not deducted from client account(s).
2. **Annual Retainer** – Annual Retainer fees are billed quarterly and due on the first day of each quarter (Jan, April, July, and Oct). We do not require clients to pay any of their fees in advance. No cash or credit cards are accepted. Fees are paid via check or may be deducted from a designated client account(s). The client must consent in advance to direct debiting of their investment account.
3. **Investment Management** – Fees are calculated and assessed at the conclusion of calendar quarter (i.e., arrears), assessed on the AUM as of the end of the quarter. This means that we invoice you *AFTER* the three-month billing period has *ENDED*. Fees are deducted from a designated client account(s) to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Other Fees

There are also fees charged by others that impact Annual Retainer and Investment Management clients. These include commissions (and other fees) charged by the discount broker, and expenses (and other fees) charged by the mutual funds. Since clients pay us directly, we want to minimize our clients' costs to other parties to the extent it is sensible or possible.

Commissions charged by the discount broker we use, TD Ameritrade, are generally \$24 to buy/sell mutual funds and either \$0 or \$9.99 to buy/sell an ETF/stock. Some mutual funds have no transaction fees. Mutual funds may also charge short-term redemption fees in order to minimize active trading. This may be a fee of say 2% if you sell the fund within 60 days of purchase. Since we are not active traders, we are generally able to avoid these.

All mutual funds have annual operating expenses called expense ratios which pay the manager of the fund, their team, and all administrative expenses. We do not recommend mutual funds that have sales charges. Instead, our clients use no-load mutual funds, and if available, also use Institutional mutual funds in order to minimize the expense ratios.

Institutional share classes are also no-load mutual funds, but they have the additional benefit of having expense ratios that are about 0.25% lower than their no-load counterparts. This cost reduction is directly beneficial to our clients. Minimum purchase amounts may also be waived for our clients. As illustrated in the table below, a mutual fund may have three share classes. Because we also have access to the Institutional share class, our clients pay less in "annual fund costs" than retail or admin clients.

Fund Name	Minimum Purchase	Share Class	Expense Ratio	Investment	Annual Fund Cost
Loomis Sayles Bond	\$0	Admin	1.20%	\$100,000	\$1,200
Loomis Sayles Bond	\$100,000	Institutional	0.65%	\$100,000	\$650
Loomis Sayles Bond	\$2,500	Retail	0.95%	\$100,000	\$950

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Conflicts of Interest

Being a fiduciary fee-only advisor does not eliminate all potential conflicts of interest. While we feel that our business model and fee structure significantly minimizes the conflicts of interest, some remaining conflicts can exist. The following are examples (not necessarily a comprehensive list) of conflicts of interest under each of our service levels and how we minimize them:

1. **Project Planning** - Since fees are charged based on the actual hours we allocate to your particular issues and situation, there are potential conflicts of interest which may arise that we want you to be aware of. For example, if your situation involves issues new to us, more research may be required on our part to fully advise you in a professional manner. This could therefore cost you

more. Also, the speed at which we are able to complete work directly affects the compensation we charge you. To the extent an issue involves other aspects of your situation, (e.g. taxes or estate planning), we must research those related areas as well to properly advise you on unintended consequences of a proposed action. These additional hours would increase our compensation.

To limit these conflicts of interest, we set a cap on the amount of hours we devote to your situation and to answer all of your questions. Our written recommendations will carry a caveat describing related issues or more in-depth considerations we were not able to fully research and analyze. Then you can determine whether it is in your interest to authorize funds for the additional time needed to expand the project.

2. **Annual Retainer Fees** - Fixed Annual Retainer compensation may conflict with a client's expectations since Mallard will be paid the same amount irrespective of the amount of work actually performed. To counterbalance this conflict, we have adopted these policies:
 - i. We have a minimum number of 'standing appointments' each year scheduled for each client to assure access to us;
 - ii. We have a policy of returning phone calls and emails within one business day;
 - iii. We have a policy of not advertising (except in directory listings) so that we are wholly dependent on the referrals of our current clients and their satisfaction to grow our business, which gives us an incentive to consistently provide superior service.

Any advice that may impact net worth or income can impact our fees. For example, if a client gives away \$50,000, their net worth will drop by \$50,000 and their fee could also decline. However, we use net worth "bands" of about \$100,000 so that minor changes in net worth have no impact on the retainer fee calculation.

3. **Investment Management** - Our compensation is based on the amount of your assets which we have under management. This method of compensation creates conflicts in that our compensation may be enhanced in situations where you are depending on objective advice. These include any situations which would decrease or increase the assets we manage, such as taking out a mortgage rather than using cash, selecting a retirement pension versus a lump sum, using cash for paying off a mortgage, gifting to charities or children, recommendations to bring other assets, such as 401k accounts, under our management, etc.

To limit these conflicts of interest, we do the following:

- a. Our Investment Management program does not include any financial advice in order to eliminate these types of potential conflicts of interest.
- b. At times, some incidental non-investment related advice may be provided. If this is provided and there is a potential conflict of interest, we will give you written notice of the conflict in that given situation if our advice would impact our compensation.

Our revenue may also be increased or decreased due to market fluctuations determined predominately by economic factors beyond our control. Such extreme market fluctuations would not actually reflect the value we add to investment management. To counter these disadvantages, we will provide you a comparison of benchmark performance to the performance of your account(s). To make sure you are aware of the fees we charge, we will send quarterly billing statements which detail the dollar amount you are being charged, even though these amounts are withdrawn directly from your account.

Performance-Based Fees

Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

Mallard does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

Types of Clients

Description

Mallard Advisors LLC generally provides financial and investment advice to individuals and families. At times, advice may also be provided to pension and profit sharing plans, trusts, estates, or business entities.

Client relationships vary in scope and length of service.

Account Minimums

Project Planning – There is no minimum investment values needed in order for us to provide project advice. There is no minimum project fee.

Annual Retainer Fees – There is no minimum investment values, net worth, or income needed in order for us to provide project advice. However, there is a minimum annual retainer fee of \$1,750.

Investment Management – There is a minimum quarterly fee of \$250. If a client has an account with a value less than \$133,333, the client would end up paying a higher percentage rate (more than 0.75%) on their annual fees than the fees paid by clients with assets under management greater than \$133,333.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Mallard subscribes to various professional publications deemed to be consistent and supportive of Mallard's investment philosophy.

Mallard uses traditional research materials such as financial newspapers and magazines, annual reports, prospectuses, as well as research materials prepared by others.

Investment Strategies

Mallard approaches investment portfolio analysis and implementation based on internal factors such as your tax situation, overall risk tolerance, current financial situation, and your personal goals and aspirations. After identifying these items, your portfolio will be structured around your individual needs.

The primary investment strategy used on client accounts is strategic asset allocation utilizing both passively-managed index funds and actively-managed no-load mutual funds. Portfolios are globally diversified to control the risk associated with traditional markets. We believe in the following core investment concepts and principals:

- Risk is Omnipresent
- Don't Take Risk That You Don't Need to Take
- Investment Costs Matter
- We are Investors – Not Speculators
- We Reject Market Timing
- We Ignore Financial "Noise"
- We Focus on the Controllable
- Keep Things Simple
- We Believe in the Value of Diversification Through Asset Allocation
- Asset *Location* is also Important
- We Use Mutual Funds and Not Individual Stocks
- Accounts and Investments Work Together as a Team
- Active & Passive/Index Strategies Both Have Value
- Valuations Matter
- Rebalancing Is a Must

The investment strategy for a specific client is based on the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an **Investment Policy Statement** that documents their objectives and their desired investment strategy.

In general, Mallard recommends no-load mutual funds (i.e., mutual funds that have no sales fees), exchange traded funds, U.S. government securities, money market accounts, and certificates of deposit. However, in the course of providing investment advice, we may address issues related to other types of assets that you may already own. Any other products that may be deemed appropriate for you will be discussed, based upon your goals, needs and objectives.

Risk of Loss

All investments have certain risks associated with them that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business's operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Investing involves risk of loss that clients should be prepared to bear. While Mallard will use its best judgment and good faith efforts in rendering services to our clients, not every investment decision or recommendation made by Mallard will be profitable. We do not warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Our clients assume all market risk involved and understand that investment decisions are subject to various market, currency, economic, political and business risks.

Disciplinary Information

Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Affiliations

Mallard is a member of the National Association of Personal Financial Advisors (NAPFA), which requires that its members are fee-only and obtain a minimum of 60 continuing education credits every two years.

Mallard is a member of the Alliance of Cambridge Advisors (ACA). This non-profit organization provides training and support through an alliance of fee-only comprehensive financial advisors. As a member of the ACA, Mallard has the right to use proprietary products and systems designed by the ACA. The ACA offers education in the form of in-person, web- and tele-conferences (which may provide continuing education credits) and services produced by collaborative efforts of the fee-only financial advisors.

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

Code of Ethics

The employees of Mallard have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The Code of Ethics describes Mallard's high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons of Mallard Advisors must acknowledge the terms of the Code of Ethics annually, or as amended.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

Mallard and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Mallard's *Compliance Manual*.

Certain classes of securities, such as open ended mutual funds, are designated as exempt transactions, meaning employees may trade these without prior permission because such trades would not materially interfere with the best interest of our clients. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

Personal Trading

The Chief Compliance Officer of Mallard is Pamela Baumbach, CFP®. She or William D. Starnes reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

Brokerage Practices

Selecting Brokerage Firms

Mallard does not have any affiliation with product sales firms. Specific custodian recommendations are made to our clients based on their need for such services. Mallard recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

Mallard recommends discount brokerage firms and trust companies (qualified custodians), such as TD Ameritrade, and TIAA-CREF. Mallard is independent of all such brokerage firms and custodians, and all such firms are independent of Mallard.

Mallard DOES NOT receive fees or commissions from any of these arrangements.

Best Execution

Mallard reviews the execution data from several custodians each year including the custodians recommended by Mallard. The review is documented in the *Mallard Compliance Manual*. Trading fees charged by the custodians are also reviewed on an annual basis. Mallard does not receive any portion of the trading fees that our clients pay to these custodians.

Clients are not obligated to effect transactions through any broker-dealer recommended by Mallard. When recommending a broker-dealer we will comply with our fiduciary duty to obtain best execution and with the Securities Exchange Act of 1934, and will take into account such relevant factors as:

- Price;
- The broker-dealer's facilities, reliability and financial responsibility;
- The ability of the broker-dealer to effect transactions, particularly with regard to such aspects as timing, order size and execution of order;
- The research and related brokerage services provided by such broker or dealer to us, notwithstanding that the account may not be the direct or exclusive beneficiary of such services; and
- Any other factors Mallard considers to be relevant.

Soft Dollars

Mallard does not receive any soft dollars (software maintenance credits) from any brokerage firm or custodian.

Order Aggregation

Most trades are mutual funds or exchange-traded funds, or are done on different days, where trade aggregation (combining the trades of the same security across multiple clients) does not garner any client benefit.

Review of Accounts

Periodic Reviews

William D. Starnes is responsible for reviewing and assessing financial recommendations made to you. Factors triggering review may include significant changes in your financial condition, changes in tax law, new investment information, changes in recommended investment vehicles, and significant

economic developments. Clients will be provided the Supplemental Brochure (Form ADV Part 2B) for William D. Starnes

Regular Reports

Retainer and Investment Management clients receive periodic communications on at least an annual basis. *Investment Management* clients receive written quarterly updates. The written updates include a portfolio performance statement. Retainer clients receive written reports twice a year including a net worth statement, and specific investment recommendations. In addition *Retainer* clients may also receive reports such as Cash Flow Statements, Income Tax Projections, Retirement Projections, and college funding reports.

If you maintain any brokerage account(s), your custodian will provide a statement at least quarterly which includes a list of all assets held in the account, asset values, and all transactions affecting the account assets, including any additions or withdrawals.

Client Referrals and Other Compensation

Incoming Referrals

Mallard has been fortunate to receive many client referrals over the years. The referrals come from current clients, estate planning attorneys, accountants, employees, personal friends of employees, and other similar sources. The firm does not compensate referring parties for these referrals.

Referrals Out

Mallard does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Other Compensation

Mallard may receive from clients' custodian firm certain investment research products and/or services which assist Mallard in its investment process for you. These products/services can include electronic interfaces to connect Mallard's computers and the custodian's, discounted rates for industry conferences held by the custodian, rates negotiated lower by the custodian for research services from third parties (such as Morningstar).

Mallard employees may receive a meal from a representative of a custodian or investment company. Such meals should not exceed a reasonable level (\$75 in most locations, \$100 in a major metropolitan area).

Mallard employees may receive 'trinkets' from a representative of a custodian or investment company. Examples could be pens, a business card holder, a calendar, golf balls, etc, typically with promotional material on them. Such items should not exceed a reasonable level (\$25 in most cases).

Mallard's selection of custodians and investment firms for your portfolio is not affected by these nominal benefits.

Custody

Custody & Account Statements

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. In some cases, you can request that the custodian provides statements to you directly by email, rather than through the mail.

Mallard urges all clients to carefully review such statements and compare such official custodial records to any statements that we may provide to you. We may also provide clients with periodic reports on your account. These reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Investment Management clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by Mallard.

Retainer clients are provided net worth statements twice each year. These statements may contain approximations that **you** provide, and are therefore not intended to be viewed as precise/verified by Mallard.

Investment Discretion

Discretionary Authority for Trading

For **Investment Management clients**, Mallard accepts discretionary authority to manage securities accounts on behalf of clients. Mallard has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Discretionary authority allows us to act on behalf of the client in most matters necessary or incidental to the handling of the account, including monitoring certain assets, without the client's prior approval. We will only execute transactions for clients when specifically requested and authorized by you in writing (via a fully executed limited power of attorney "LPOA").

The client approves the custodian to be used and the commission rates paid to the custodian. Mallard does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades. Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

For **Retainer Clients**, investment advice is provided on a non-discretionary basis. Non-discretionary authority requires us to obtain your approval prior to executing

investment recommendations. Mallard will act in accordance with a Statement of Investment Policy (or similar document used to establish your objectives and suitability), regardless of whether authority is discretionary or non-discretionary. We will only execute transactions for clients when specifically requested and authorized by you in writing (via a fully executed limited power of attorney “LPOA”).

With a ***Project Retainer***, Mallard’s role is to make investment recommendations. This is a non-discretionary investment advice arrangement. Mallard does not have authority over client funds and does not execute trades in clients’ accounts. The client is not required to follow any recommendations made by Mallard. The client is solely responsible to implement any recommendations made by Mallard.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades.

Voting Client Securities

Proxy Votes

Mallard does not vote proxies on securities. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

If assistance on voting proxies is requested, Mallard will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

Financial Information

Financial Condition

Mallard does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. Mallard has not been the subject of a bankruptcy proceeding.

A balance sheet is not required to be provided because Mallard does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

Business Continuity Plan

General

Mallard has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are not stored onsite, and are regularly backed up and archived offsite.

Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

Loss of Key Personnel

Mallard's Hockessin office has signed a Business Continuation Agreement with Mallard's Newark office, to support Mallard's Hockessin office's clients, in the event of William D. Starnes serious disability or death.

Information Security Program

Information Security

Mallard maintains an information security program to reduce the risk that your personal and confidential information may be breached.

Privacy Notice

Mallard is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax,

email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

Mallard requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management. Mallard aims to give each employee responsibilities that are suitable, given that employee's education and experience.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planner (CFP): The Certified Financial Planner™, CFP® and federally registered CFP (with flame design) marks (collectively, the "CFP® marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly

diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;

- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

William D. Starnes, CFP, ChFC, MST

Date of Birth

- August 16, 1968

Educational Background:

- | | | |
|-------------------------|------------------|------|
| • Penn State University | BS-Psychology | 1991 |
| • Widener University | MS-Taxation | 2001 |
| • CFP Certificant | American College | 1999 |
| • ChFC Designation | American College | 2001 |

Business Experience:

- | | | |
|-------------------------|-------------------|--------------|
| • Mallard Advisors, LLC | Financial Advisor | 2002-Present |
| • Delmarva Limited | Financial Advisor | 1998-2002 |

- State of Delaware Career Counselor 1996-1998
- MBNA America Bank Analyst 1991-1996

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision: Bill has no direct supervisor.