

**ITEM 1. COVER PAGE FOR  
PART 2A OF FORM ADV:  
FIRM BROCHURE  
DATED 11/18/2011**

**MADDOX, BILLY, DOUGLAS JR D.B.A. MADDOX FINANCIAL GROUP INC.  
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**FIRM CONTACT: BILLY MADDOX, OWNER**

**This brochure provides information about the qualifications and business practices of Maddox Financial Group. If you have any questions about the contents of this brochure, please contact us by telephone at 559-635-1104, 800-427-3405 or email at [bmaddox@scfsecurities.com](mailto:bmaddox@scfsecurities.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 Maddox Financial Group also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) .**

**Please note that the use of the term “registered investment adviser” and description of Maddox Financial Group and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm’s associates who advise you for more information on the qualifications of our firm and our employees.**

**Item 2. Material Changes to Our Part 2A of Form ADV:**  
**Firm Brochure**

**Maddox Financial Group** is required to advise you of any material changes to our Firm Brochure (“Brochure”) from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure.

The last annual update of our Brochure was on 03/31/2011/2011.

Item #b 4, Advisory Business #4E page 4-5. As of October 1, 2011 our firm has changed our managed fee platform from non-discretionary to discretionary managed fee platform.

Item # 4 Advisory Business # 4E page 5. As of October 1, 2011 we manage \$39,461,000 on a discretionary basis and \$0 on a non-discretionary basis.

Item #5 Fees and compensation Page 5-6 #5A (i) Description of how we are compensated for our advisory services provided to you. Comprehensive Portfolio Management:

Item # 19 page #19 Requirements for State Registered Advisors. Added to ADV Part 2A  
10/31/2011

| Assets under Management | Annual Fee | Quarterly Fee |
|-------------------------|------------|---------------|
| First \$2,000,000       | 0.90%      | 0.2250%       |
| Over \$2,000,000        | 0.50%      | 0.1250%       |
| Over \$5,000,000        | Negotiable | Negotiable    |

### **Item 3. Table of Contents:**

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#### **Item 4. Advisory Business**

We specialize in the following types of services: comprehensive portfolio management. Our assets under management are \$39,461,000 as of 12/31/2010.

A. Description of our advisory firm, including how long we have been in business and our principal owner(s)<sup>1</sup>.

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services, including Financial Planning Services. Our firm is a Sub S Corporation formed in the State of California. Our firm has been in business since 1986 and as a Registered Investment Advisor since Nov. 2003. Maddox Financial Group is owned as follows:

Billy Maddox – One hundred-percent owner

B. Description of the types of advisory services we offer.

(i) Comprehensive Portfolio Management:

California Code of Regulations, 10 CCR Section 260.235.2 requires an investment adviser to furnish a written statement to its financial planning clients when a conflict of interest exists between the interests of the investment adviser and the interests of the clients. Therefore we have included the following disclosure:

- (a) Mr. Maddox offers financial planning services to his clients. This presents a conflict of interest to the extent that Mr. Maddox recommends that a client invest in a security which results in a commission being paid to him. Mr. Maddox does not charge a fee for his financial planning services, or financial consultations..
- (b) The client is under no obligation to act upon the investment adviser's recommendation, and
- (c) If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through Mr. Maddox, and or Maddox Financial Group.

Our comprehensive Portfolio Management service encompasses asset management as well as providing financial planning/financial consulting to clients. It is designed to assist clients in meeting their financial goals through the use of financial investments.

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<sup>1</sup> Please note that: (1) For purposes of this item, our principal owners include the *persons* we list as owning 25% or more of our firm on Schedule A of Part 1A of Form ADV (Ownership Codes C, D or E). (2) If we are a publicly held company without a 25% shareholder, we simply need to disclose that we are publicly held. (3) If an individual or company owns 25% or more of our firm through subsidiaries, we must identify the individual or parent company and intermediate subsidiaries. If we are a state-registered adviser, on Form ADV Part 2A Page 2, we must identify all intermediate subsidiaries. If we are an SEC-registered adviser, we must identify intermediate subsidiaries that are publicly held, but not other intermediate subsidiaries.

We conduct at least one, but sometimes more than one meeting (in person if possible, otherwise via telephone conference) with clients in order to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we propose an investment approach to the client. We may propose an investment portfolio, consisting of exchange traded funds, mutual funds, individual stocks or bonds, or other securities. Upon the client's agreement to the proposed investment plan, we work with the client to establish or transfer investment accounts so that we can manage the client's portfolio. Once the relevant accounts are under our management, we review such accounts on a regular basis and at least quarterly. We may periodically rebalance or adjust client accounts under our management. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client's investments.

CCR Section 260.238(k)

Mr. Maddox is a registered representative of SCF Securities, Inc., member FINRA/SIPC.

He may offer securities and receive normal and customary commissions as a result of securities transactions. This presents a conflict of interest to the extent that Mr. Maddox recommends that a client invest in a security which results in a commission being paid to him. A conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products based on the compensation Mr. Maddox may earn and may not necessarily be in the best interests of the client.

C. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of *clients*, whether *clients* may impose restrictions on investing in certain securities or types of securities.

(i) Individual Tailoring of Advice to Clients:

We offer individualized investment advice to clients utilizing the following services offered by our firm: Comprehensive Portfolio Management.

(ii) Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities:

We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. In the rare instance that we would allow restrictions, it would be limited to the following services: Comprehensive Portfolio Management

D. Participation in *wrap fee programs*.

We do not offer wrap fee programs.

E. Disclosure of the amount of *client* assets we manage on a *discretionary basis* and the amount of *client* assets we manage on a *non-discretionary basis* as of 12/31/2010.

We manage \$39,461,000 on a discretionary basis and \$0 on a non - discretionary basis as of 10/31/2011

### **Item 5. Fees and Compensation**

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees may be negotiable in certain circumstances.

#### **CCR Section 260.238(j.) Disclosure:**

\* Lower fees for comparable services may be available from other sources

#### **A. Description of how we are compensated for our advisory services provided to you.**

##### **(i) Comprehensive Portfolio Management:**

| Assets under Management | Annual Fee | Quarterly Fee |
|-------------------------|------------|---------------|
| First \$2,000,000       | 0.90%      | 0.2250%       |
| Over \$2,000,000        | 0.50%      | 0.1250%       |
| Over \$5,000,000        | Negotiable | Negotiable    |

\*Our firm's fees are billed on a pro-rata annualized basis quarterly in arrears based on the value of your account on the last day of the quarter. Values are taken from client's TD Ameritrade Quarter end statement.

#### **B. Description of whether we deduct fees from *clients'* assets or bill *clients* for fees incurred.**

##### **(i) Comprehensive Portfolio Management:**

Our firm's fees are billed on a pro-rata annualized basis quarterly in arrears based on the value of your account on the last day of the quarter. Fees will generally be automatically deducted from your managed account\*. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;

- c) If we send a copy of our invoice to you, we send a copy of our invoice to the independent custodian at the same time we send the invoice to you;
- d) If we send a copy of our invoice to you, our invoice includes a legend as required by paragraph (a)(2) of Rule 206(4)-2 under the Investment Advisers Act of 1940.\*\*

\*In rare cases, we will agree to direct bill clients.

\*\*The legend urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the adviser opens custodial accounts with the qualified custodian.

C. Description of any other types of fees or expenses *clients* may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Our clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses). Maddox Financial Group does not charge the client a fee for financial planning consultations or individual investment advice. Please refer to Item 12 page 12 of brochure.

D. We must disclose if client's advisory fees are due quarterly in advance. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

We charge our advisory fees quarterly in arrears. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

E. Commissionable securities sales.

We sell securities for a commission. In order to sell securities for a commission, our supervised persons are registered representatives of SCF Securities, Inc., member FINRA/SIPC. Our supervised persons may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual funds. You should be aware that the practice of accepting commissions for the sale of securities:

- 1) Presents a conflict of interest and gives our firm and/or our *supervised persons* an incentive to recommend investment products based on the compensation received, rather than on your needs. We generally address commissionable sales conflicts that arise:

- a) when explaining to clients that commissionable securities sales creates an incentive to recommend products based on the compensation we and/or our supervised persons may earn and may not necessarily be in the best interests of the client;
  - b) when recommending commissionable mutual funds, explaining that “no-load” funds are available through our firm if the client wishes to become an investment advisory client.
- 2) In no way prohibits you from purchasing investment products recommended by us through other brokers or agents which are not affiliated with us.
  - 3) No more than 50% Maddox Financial Group’s revenue from advisory clients results from commissions and other compensation for the sale of investment products that are recommended to Maddox Financial Group’s clients, including asset-based distribution fees from the sale of mutual funds. Commissions do not provide Maddox Financial Groups primary or exclusive compensation
  - 4) Maddox Financial Group does charge advisory fees in addition to commissions or markups, Our clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expensed, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund’s prospectus ( i.e., fund management fees and other fund expenses).

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

We do not charge performance fees to our clients.

#### **Item 7. Types of Clients and Account Requirements**

We have the following types of clients:

- Individuals and High Net Worth Individuals;

Our requirements for opening and maintaining accounts or otherwise engaging us:

- We do not require a minimum account balance for our Comprehensive Portfolio Management service.

#### **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

- A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

Methods of Analysis:



- Charting;
- Fundamental;

Investment Strategies we use:

- Long term purchases (securities held at least a year);
- Short term purchases (securities sold within a year);

**Please note:**

Investing in securities involves risk of loss that *clients* should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

- B. Our practices regarding cash balances in *client* accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to comprehensive portfolio management.

**Item 9. Disciplinary Information**

We are required to disclose whether there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of our advisory business or the integrity of our management. There are a number of specific legal and disciplinary events that we must presume are material for this Item. If our advisory firm or a *management person* has been *involved* in one of these events, we must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in our or the *management person's* favor, or was reversed, suspended or vacated, or (2) the event is not material. For purposes of calculating this ten-year period, the "date" of an event is the date that the final *order*, judgment, or decree was entered, or the date that any rights of appeal from preliminary *orders*, judgments or decrees lapsed.

The SEC and/or State Regulators have not provided us with an exclusive list of material disciplinary events, which need to be disclosed. If our advisory firm or a *management person* has been *involved* in a legal or disciplinary event that is not specifically required to be disclosed, but nonetheless is material to a *client's* or prospective *client's* evaluation of our advisory business

or the integrity of our management, we must disclose the event. Similarly, even if more than ten years has passed since the date of the event, we must disclose the event if it is so serious that it remains currently material to a *client's* or prospective *client's* evaluation of our firm or management.

On 8/07/2003 NASD alleged Mr. Maddox participated in private securities transactions without providing prior written notice or receiving prior written approval from his member firm Foothill Securities Inc. for selling TLC, TAX Lien Certificates. Without admitting or denying the allegations, Mr. Maddox consented to a fine of \$23,872(\$5,000 fine and return of commissions \$18,872) and a 90-day suspension from NASD membership. The action is final and was resolved on 01/01/2004 with a letter of acceptance, waiver & consent.

#### **Item 10. Other Financial Industry Activities and Affiliations**

- A. Our firm or our *management persons* are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. The details are as follows:

Mr. Maddox is a registered representative of SCF Securities, Inc., member NASD/SIPC, PC. He may offer securities and receive normal and customary commissions as a result of securities transactions. This presents a conflict of interest to the extent that Mr. Maddox recommends that a client invest in a security which results in a commission being paid to him.

A conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products incentive to recommend products based on the compensation adviser and/or our supervised persons may earn and may not necessarily be in the best interests of the client.

- B. Our firm or our *management persons* are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. The details are as follows:

We have nothing to disclose in this regard.

- C. Description of any relationship or arrangement that is material to our advisory business or to our *clients*, that we or any of our *management persons* have with any *related person*<sup>2</sup> listed

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<sup>2</sup> Our **Related Persons** are any ***advisory affiliates*** and any ***person*** that is under common ***control*** with our firm. **Advisory Affiliate:** Our advisory affiliates are (1) all of our officers, partners, or directors (or any ***person*** performing similar functions); (2) all ***persons*** directly or indirectly ***controlling*** or ***controlled*** by us; and (3) all of our current ***employees*** (other than ***employees*** performing only clerical, administrative, support or similar functions).

below. We are required to identify the *related person* and if the relationship or arrangement creates a material conflict of interest with *clients*, describe the nature of the conflict and how we address it.

Our firm or our management persons have a material relationship with the following *related person(s)* as follows:

1. Insurance company or agency

Mr. Maddox is licensed as an insurance agent and/or broker with various companies for the commissionable sale of life insurance products. Additionally, he is a registered representative with SCF Securities, Inc., member NASD/SIPC, for the sale of commissionable securities products. These products may be offered to Maddox Financial Group's investment advisory clients. SCF Securities, Inc. may act as the paying agent for Maddox Financial Group's advisory fees. NASD Rule 3040 requires that Mr. Maddox's advisory fees be paid to him through SCF Securities, Inc. so that the firm may record the payments due him and his transactions on their books. This allows SCF Securities, Inc. to carry out their supervisory obligations of Mr. Maddox's private securities transactions. SCF Securities, Inc. may receive a percentage of Mr. Maddox's advisory fees for undertaking this service. Currently SCF Securities receives a 5% override for this service.

- D. If we recommend or select other investment advisers for our *clients* and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.

We have determined we have nothing to disclose in this regard.

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

- A. Brief description of our Code of Ethics adopted pursuant to SEC rule 204A-1 and offer to provide a copy of our Code of Ethics to any *client* or prospective *client* upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members,

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**Person:** A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company ("LLC"), limited liability partnership ("LLP"), sole proprietorship, or other organization.

officers and employees for their personal accounts<sup>3</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates. Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

**B. Disclosure:** Maddox Financial Group does not recommend to our clients, the buying or selling of securities in which we may have a material financial interest. Therefore Maddox Financial Group has nothing to disclose in this regard.

C. If our firm or a *related person* invests in the same securities (or related securities, *e.g.*, warrants, options or futures) that our firm or a *related person* recommends to *clients*, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A of this Brochure. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

D. If our firm or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that you or a *related person* buys or sells the same securities for our firm's (or the *related person's* own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this brochure. Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon

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<sup>3</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

request. Further, our related persons will refrain from buying or selling the same securities within 48 hours of buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

## **Item 12. Brokerage Practices**

A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

1. Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

Our firm participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member NASD/SIPC/NFA. TD Ameritrade is an independent [and unaffiliated] SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the program. (Please see the disclosure under Item 14 of this Brochure.)

- a. Explanation of when we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how we receive a benefit because our firm does not have to produce or pay for the research, products or services.

As part of the arrangement described in Item 12A1, TD Ameritrade also makes certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by TD Ameritrade directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by TD Ameritrade to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by TD Ameritrade to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this

arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

- b. Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our *clients*' interest in receiving best execution.

As a result of receiving the services discussed in 12A(1)a of this Firm Brochure for no additional cost, we may have an incentive to continue to use or expand the use of TD Ameritrade's services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with TD Ameritrade and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

TD Ameritrade charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). TD Ameritrade enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. TD Ameritrade's commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by TD Ameritrade may be higher or lower than those charged by other custodians and broker-dealers.

- c. Causing *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

Our non-wrap fee program clients may pay a commission to TD Ameritrade that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

- d. Disclosure of whether we use soft dollar benefits to service all of our *clients*' accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate.

Although the investment research products and services that may be obtained by our firm will generally be used to service all of our clients, a brokerage commission paid

by a specific client may be used to pay for research that is not used in managing that specific client's account.

- e. Description of the types of products and services our firm or any of our *related persons* acquired with *client* brokerage commissions (or markups or markdowns) within our last fiscal year.

We are required to specifically describe to our clients the types of products or services that we are acquiring and to permit them to evaluate possible conflicts of interest. Our description must be more detailed for products or services that do not qualify for the safe harbor in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution. Merely disclosing that we obtain various research reports and products is not specific enough.

In addition to the benefits described in Item 12A1 of this Brochure, TD Ameritrade also makes available to our firm other products and services that benefit us, but may not benefit our clients' accounts. These benefits may include national, regional or investment adviser specific educational events organized and/or sponsored by TD Ameritrade. Other potential benefits may include occasional business entertainment of personnel of our firm by TD Ameritrade personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Some of these products and services assist our firm in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our accounts, including accounts not maintained at TD Ameritrade. TD Ameritrade also makes available to our firm other services intended to help our firm manage and further develop our business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, TD Ameritrade may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. TD Ameritrade may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. While, as a fiduciary, our firm endeavors to act in our clients' best interests, Adviser's recommendation/requirement that clients maintain their assets in accounts at TD Ameritrade may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements and not solely on

the nature, cost, or quality of custody and brokerage services provided by TD Ameritrade, which may create a potential conflict of interest.

We would have to obtain the aforementioned services and products for cash if we did not have soft dollars available to pay for them. As a result of receiving such products and services for no cost, we may have an incentive to continue to place client trades through broker-dealers that offer soft dollar arrangements. This interest conflicts with the clients' interest of obtaining the lowest commission rate available. Therefore, we must determine in good faith, based on the best execution policy stated above that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers.

- f. Explanation of the procedures we used during our last fiscal year to direct *client* transactions to a particular broker-dealer in return for soft dollar benefits we received.

We do not direct *client* transactions to a particular broker-dealer in return for soft dollar benefits.

- 2) Brokerage for *Client* Referrals. If we use client brokerage to compensate or otherwise reward brokers for client referrals, we must disclose this practice, the conflicts of interest it creates, and any procedures we used to direct client brokerage to referring brokers during the last fiscal year (i.e., the system of controls used by us when allocating brokerage)

Our firm does not receive brokerage for client referrals.

- 3) Directed Brokerage.

- a. If we routinely recommend, request or require that a *client* directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy. Further, we must explain that not all advisers require their *clients* to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of *client* transactions, and that this practice may cost our *clients* more money.

Neither we nor any of our firm's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected.

### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on



behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

b. Permissibility of client-directed brokerage.

We do not allow client-directed brokerage.

B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various *client* accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to *clients* of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

### **Item 13. Review of Accounts or Financial Plans**

A. Review of *client* accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our *employees* who conduct the review.

We review accounts on at least a quarterly basis for our clients subscribing to the following services: Comprehensive Portfolio Management. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews. Account reviews are conducted solely by Mr. Maddox.

B. Review of *client* accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

- C. Description of the content and indication of the frequency of written or verbal regular reports we provide to *clients* regarding their accounts.

We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to the following services: Comprehensive Portfolio Management.

#### **Item 14. Client Referrals and Other Compensation**

- A. If someone who is not a *client* provides an economic benefit to our firm for providing investment advice or other advisory services to our *clients*, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

Apart from the arrangements disclosed in Item 12 of this Firm Brochure, we have no additional arrangements to disclose.

- B. If our firm or a *related person* directly or indirectly compensates any *person* who is not our *employee* for *client* referrals, we are required to describe the arrangement and the compensation.

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

#### **Item 15. Custody**

- A. If we have *custody* of *client* funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules (for example, a broker-dealer or bank) does not send account statements with respect to those funds or securities directly to our *clients*, we must disclose that we have *custody* and explain the risks that you will face because of this.

All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

- B. If we have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to our *clients*, we are required to explain that you

will receive account statements from the broker-dealer, bank, or other qualified custodian and that you should carefully review those statements.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

#### **Item 16. Investment Discretion**

If we accept *discretionary authority* to manage securities accounts on behalf of *clients*, we are required to disclose this fact and describe any limitations our *clients* may place on our authority. The following procedures are followed before we assume this authority:

Our clients need to sign a discretionary investment advisory agreement with our firm for the management of their account. This type of agreement only applies to our Comprehensive Portfolio clients. We do not take or exercise discretion with respect to our other clients.

#### **Item 17. Voting Client Securities**

A. If we have, or will accept, proxy authority to vote *client* securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

#### **Item 18. Financial Information**

A. If we require or solicit prepayment of more than \$500 in fees per *client*, six months or more in advance, we must include a balance sheet for our most recent fiscal year.

We do not require nor do we solicit prepayment of more than \$500 in fees per *client*, six months or more in advance. Therefore we have not included a balance sheet for our most recent fiscal year.

**Note:** If we are a sole proprietor, we must show investment advisory business assets and liabilities separate from other business and personal assets and liabilities. We may aggregate other business and personal assets unless advisory business liabilities exceed advisory business assets.

- B. If we are an SEC-registered adviser and have *discretionary authority or custody of client* funds or securities, or we require or solicit prepayment of more than \$500 in fees per *client*, six months or more in advance, we must disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to *clients*.

We have nothing to disclose in this regard.

- C. If we have been the subject of a bankruptcy petition at any time during the past ten years, we must disclose this fact, the date the petition was first brought, and the current status.

We have nothing to disclose in this regard.

### **Item 19. Requirements for State-Registered Advisers**

**Billy Douglas Maddox Jr., Owner, Maddox Financial Group Inc.**

#### **Educational Background and Business Experience**

**A. Graduated from:**

**Heald College, Fresno, CA- Associates Degree**

**Attended:**

**California State University Fresno, Fresno, CA**

#### **Business Employment for Past 5 Years:**

**01/05 to Present-SCF Securities, Inc. , Visalia, CA, Registered Representative**

**01/86- Present- Maddox Financial Group, Visalia, CA, President & Chief Compliance Officer (\*Investment Advisory Activities- 11/03 to Present).**

**07/94 to 08/03 –Foothill Securities, Inc., Visalia , CA- Registered Representative**

#### **Licenses and Other Professional Designations:**

**Series 24- 02/1996**

**Series 6- 01/1987**

**Series 7 – 04/1995**

**Series 63- 02/1991**

#### **Other Business Descriptions**

**B. Mr. Maddox is licensed as an insurance agent and/or broker with various Insurance companies for the commissionable sale of life insurance products and Annuities. Additionally, he is a registered representative with SCF Securities, Inc., member NASD/SIPC for the sale of commissionable securities products.**

**C. Performance-Based Fees and side-By-Side Management**

We do not charge performance based fees to our clients.

D. We must disclose if any member or management person of Maddox Financial Group has been involved in one of the events listed below,

1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500 involving any of the following:
  - (a) an investment or an investment-related business or activity”
  - (b) fraud, false statements(s), or omissions;
  - (c) theft, embezzlement, or other wrongful taking of property’
  - (d) bribery, forgery, counterfeiting, or extortion; or
  - (e) dishonest, unfair, or unethical practices.

We have nothing to disclose in this regard.

2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following;
  - (a). an investment or an investment-related business or activity;
  - (b) fraud, false statements), or omissions;
  - (c) theft, embezzlement, or other wrongful taking of property;
  - (d) bribery, forgery, counterfeiting, or extortion: or
  - (e) dishonest, unfair, or unethical practices.

On 8/7/2003 NASD alleged Mr. Maddox participated in private securities transactions without providing prior written notice or receiving prior written approval from his member firm Foothill Securities Inc. for selling TLC, Tax Lien Certificates. Without admitting or denying the allegations, Mr. Maddox consented to a fine of \$23,872 (\$5,000 fine and return of commissions in the amount of \$18,872) and a 90-day suspension from NASD membership. The action is final and was resolved on 1/1/2004 with a letter of acceptance, waiver & consent.

E. In addition to any relationship or arrangement described in response to Item 10.C. of Part 2A, describe any relationship or arrangement that you or any of your management persons have with any issuer of securities that is not listed in Item 10.C of Part 2A.

We have nothing to disclose in this regard.