

Item 1 – Cover Page

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This brochure provides information about the qualifications and investment advisory business practices of The Junk Investment Group. If you have any questions about the contents of this brochure, please contact us by phone at (410) 584-8100 or by email at thejunks@junkinv.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 The Junk Investment Group's investment advisory business is also available on the Internet at www.adviserinfo.sec.gov. You can view information on this website by searching for The Junk Investment Group by name or by using the firm's CRD number: 104619.

*Registration as an investment advisor does not imply a certain level of skill or training.

Item 2 – Material Changes

Effective March 2012, the firm revised the fees charged for its asset management services. There have been no other material changes since our last annual amendment

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Ownership

Ivan Richard Junk (“I” or “my”) is an investment advisor registered with the Securities and Exchange Commission since May 1989 and provides advisory services using the name The Junk Investment Group. I am a Maryland sole proprietor.

General Description of Primary Advisory Services

The Junk Investment Group offers personalized investment advisory services including financial planning consulting and asset management. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

Financial Planning Services

Financial planning can be described as helping individuals determine and set their long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning and other areas. The role of a financial planner is to find ways to help clients understand their overall financial situation and help them set financial objectives.

I and my investment advisor representatives (collectively, “we”) offer limited financial planning services regarding both investment and non-investment related issues. These services do not involve actively managing your accounts.

Asset Management Services

We offer asset management services by providing you with continuous and on-going supervision over your accounts. This means that we continuously monitor your account and make trade recommendations for that account when necessary.

Specialization

We specialize in asset management services. Please see **Item 5, Fees and Compensation**, for additional information.

Limits Advice to Certain Types of Investments

We provide investment advice on the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Variable annuities
- Mutual fund shares

We also offer investment advice on fixed annuities and life insurance. Although we generally limit our investment advice to the listed products, we reserve the right to offer advice on any investment product that may be suitable for each client’s specific circumstances, needs, goals and objectives. Please also see **Item 5, Fees and Compensation**, for additional information about portfolio holdings in managed accounts

Please refer to **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

Tailor Advisor Services to Individual Needs of Clients

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Wrap-Fee Program versus Portfolio Management Program

In traditional management programs, advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services and transaction services are provided for one fee. We do not act as a portfolio manager of or sponsor wrap fee programs.

Client Assets Managed by Advisor

The amount of client assets managed by us totaled \$142,817,868 as of December 31, 2011, all managed on a non-discretionary basis.

Item 5 – Fees and Compensation

In addition to the information provided in **Item 4, Advisory Business**, this section provides details regarding our services along with descriptions of each service's fees and compensation arrangements.

Financial Planning Consultations

If requested by you, I and my investment advisor representatives ("representatives") (collectively, "we" or "our") may provide financial planning consulting services (including investment and non-investment-related matters) on a fixed fee basis. Financial planning consulting fees begin at a minimum of \$1,000, calculated at a \$250 hourly rate. Fees are dependent upon the level and scope of the services required, and the representatives rendering the service(s). Before we can begin providing services, you must enter into a Financial Planning Consulting Agreement ("Agreement") with us setting forth the terms and conditions of the engagement, the scope of the services to be provided and the fees charged. We require one-half of the quoted fee at the time services begin with the remaining balance due after the services have been provided. All work is completed for the stated fixed fee unless there is a change in the scope of services requested. If there is a change in the scope of services, a new Financial Planning Consulting Agreement must be executed.

A copy of this Disclosure Brochure is provided to you prior to signing the Agreement. If you have not received a copy of this Disclosure Brochure at least 48 hours prior to signing the Agreement, you have five business days from the date of signing the Agreement to terminate our services without penalty. Upon oral notice, termination is effective immediately and any fee paid is fully refunded. After five business days have passed, you are responsible for our time expended to the effective date of termination. We calculate our fees at \$250 per hour for services rendered prior to the date of termination. All unearned fees are refunded to you. Any fees due in addition to the prepaid retainer are due upon receipt of our detailed billing statement.

We rely on the information provided by you. Therefore, it is very important that the information you provide is complete and accurate. We are not responsible for verifying the information supplied by you

or by your other professionals. Our services do not include legal or tax advice. You are urged to work closely with your attorney, accountant or other professionals regarding your financial and personal situation. If you request it, we may recommend the services of other professionals to help you implement any advice or recommendations but you are not obligated to engage the services of anyone we recommend. You retain absolute authority over all implementation decisions and are free to accept or reject any recommendation from us.

In addition, you should notify us if there is ever a change in your financial situation or investment objectives so that we can review our previous recommendations and/or services.

Asset Management Services

We offer asset management services that can include, but are not limited to, the following:

- Providing ongoing review of all your investment accounts and asset positioning
- Preparing quarterly reports showing the current value of all monitored assets and listing any recommended changes based upon a quarterly review
- Holding periodic meetings as necessary to review the positioning of various investments
- Conducting periodic phone conversations initiated by us and/or you pertaining to investment matters

Services also include the financial planning consulting services previously described at no additional charge.

We recommend that your assets be maintained in a brokerage account established at Pershing, LLC ("Pershing"), which is the clearing firm and custodian for Securities America, Inc. ("SAI") or in an account held directly at a mutual fund family or insurance company. Our representatives are registered representatives with SAI. See, **Additional Compensation**, below and **Item 12, Brokerage Practices**, elsewhere in this Disclosure Brochure. The qualified account custodian maintains custody of your funds and securities. We do not act as custodian and do not have direct access to your funds and securities except to have advisory fees deducted from your account and paid to us with your prior written authorization.

You authorize us to have trading authorization on your accounts but we provide management services only on a non-discretionary basis. See **Item 16, Investment Discretion**, for additional discussion on non-discretionary authority.

We charge for these services based on a percentage of the assets under management. Currently, we recommend that you primarily allocate investment management assets among various mutual funds and/or investment sub-divisions that may comprise a variable insurance product owned by you and/or, to a much lesser extent, individual equities, on a non-discretionary basis, in accordance with your designated investment objective(s). Fees are calculated annually as follows:

<u>Total Portfolio Value</u>	<u>Load Mutual Fund and Variable Annuity Rate</u>	<u>Individual Stock and No-Load Fund Rate</u>
To \$499,999	0.70%	0.95%
\$500,000 to \$749,999	0.65%	0.90%
\$750,000 to \$999,999	0.60%	0.85%
\$1,000,000 to \$1,499,999	0.55%	0.80%
Over \$1,500,000	0.50%	0.75%

There is a minimum fee of \$300 per quarter. Our annual management fee is calculated as of the value of your assets on the last business day of the previous calendar year. Our fee is paid in advance in four

equal quarterly payments (January 1, April 1, July 1 and October 1). Some clients may be charged alternative fees due to contracting for services using previously existing fee schedules.

When an account is opened, we do not begin charging fees until the start of a quarter that is 6 months beyond the initial investment of monies. The annual management fee is then calculated based on the value of your assets on the last business day of the previous quarter. Prior to entering into a fee arrangement, our representatives work with you on fact finding, risk tolerance, presentation and implementation. During this time we are compensated by earning commissions in our capacity as a registered representative of SAI. Our advisory fees are not reduced to offset these commissions.

Fees are recalculated once each year based on the value of your assets on the last business day of the previous calendar year. You are notified in writing in March of each year by way of a Fee Notification Statement of the updated fee for the coming year. The updated fee is billed in four equal quarterly payments (April 1, July 1, October 1, and January 1 of the subsequent year).

Fees are not negotiable. There is a minimum fee of \$300 per quarter per client. For new clients, we require a \$750,000 aggregate account minimum. However, in our sole discretion, we may waive the quarterly fee or new client account minimum and/or charge a lesser investment management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated additional assets, dollar amount of assets to be managed, related accounts, account composition, etc.).

Fees are due and payable within 30 days of receiving our fee invoice, although you also have the option of having fees automatically deducted from an existing investment account. If you choose to have the fee automatically deducted, you are required to provide the account custodian with written authorization to deduct the fees from the account and pay them to us. At least quarterly, you receive an account statement from your account custodian detailing transactions in your account, including advisory fees charged. You should review the account statements received from the account custodian and verify that appropriate advisory fees are being deducted. The custodian does not verify the accuracy of the advisory fees deducted.

Pershing or other qualified custodians may charge separate custody fees and may also charge brokerage and/or transaction fees directly to you. We do not receive any portion of the fees from either the custodian or from you. In addition, you may incur certain charges imposed by third parties other than us in connection with investments made through your account, including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Our management fees are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. Descriptions of these fees and expenses are available in each security prospectus.

A copy of this disclosure Brochure is provided to you before signing the Investment Advisory Retainer Agreement ("Agreement"). The Agreement remains in effect until terminated by either party. If you have not received a copy of this Disclosure Brochure at least 48 hours prior to signing the Agreement, you have five business days from the date you sign to terminate our services without penalty.

Management services can be terminated by either party by providing written notice to the other. Termination is effective immediately. You are responsible for our time expended to the effective date of termination. Time expended is calculated on a pro-rated basis of time elapsed in the quarter. The balance (if any) of unearned fees is refunded to you.

Additional Compensation

You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any recommendations made by us. If you do decide to implement our recommendations with us, we take any actions and implement any transactions required. If you do not decide to work with us, you are responsible for taking any actions or implementing any

transactions required and you are free to select any broker/dealer and/or insurance agent to implement our recommendations.

You should be aware that we are also registered representatives of Securities America, Inc., a registered broker/dealer and member of FINRA/SIPC. In this separate capacity, we can receive commissions for selling securities products. This is a potential conflict of interest. As registered representatives, we may sell mutual funds and receive 12(b)-1 fees in addition to commissions. The 12(b)-1 fees, named after a section of the *Investment Company Act of 1940*, are annual marketing or distribution fees and considered an operational or administrative expense. The fees are included as a part of the mutual fund's total expense ratio and paid from fund assets. Therefore, the fees come indirectly from your account. Every mutual fund prospectus includes a description of the fund's fees and expenses. Receiving 12(b)-1 fees represents an incentive for a registered representative to recommend funds with 12(b)-1 fees or with higher 12(b)-1 fees than funds with no fees or lower fees. This is also a potential conflict of interest. We only recommend mutual funds to you if those funds are suitable for you and appropriate to help fulfill your objectives.

In addition, we are also independently licensed as insurance agents and sell insurance products to any client. We can earn commissions when selling insurance products in this separate capacity. This is a potential conflict of interest, since any commissions earned could be in addition to advisory fees earned in our capacity as a registered investment advisor or investment advisor representatives.

Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or sales are anticipated to be made. Both I and my representatives endeavor at all times to put your interests first as a part of our fiduciary duty. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of our representatives when making advisory recommendations.

Comparable Services

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

Item 7 – Types of Clients

Investment advice is provided to the following types of clients:

- Individuals (including high-net worth individuals)

- Pension and profit sharing plans
- Trusts, estates or charitable organizations

Minimum Investment Amounts Required

There is a minimum fee of \$1,000 for financial planning consulting services.

We require a \$750,000 aggregate account minimum for new clients to establish a managed account. We charge a minimum quarterly fee of \$300 per client on managed accounts. However, in our sole discretion, we may waive the quarterly fee or new client account minimum and/or charge a lesser investment management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated additional assets, dollar amount of assets to be managed, related accounts, account composition, etc.).

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

Methods of Analysis

Advisor uses fundamental analysis when considering investment strategies and recommendations for clients. Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, an analyst tries to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, “brand” names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

There is a risk with using fundamental analysis. It takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). This could mean a gain is not realized until a security's market price rises to its “correct” value over the long run--perhaps several years. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

Investment Strategies

We use the following strategies when implementing investment advice to clients:

- Long term purchases (securities held at least a year)
- Margin transactions (Investor pays for part of the purchase and borrows the rest from a brokerage firm; e.g., investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Advisor.)

We gather information from financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses and filings with the Securities and Exchange Commission and company press releases.

Risk of Loss

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Further, depending on the different types of investments, there may be varying degrees of risk:

- **Market Risk.** Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- **Equity (Stock) Market Risk.** Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- **Company Risk.** There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as non-systemic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- **Options Risk.** Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- **Fixed Income Risk.** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk.** ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- **Management Risk.** Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account

- The account custodian or clearing firm can force the sale of securities or other assets in your account
- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and is not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

Please note that we recommend trading on margin in very few circumstances and only to high net-worth individuals.

Primarily Recommend One Type of Security

We primarily recommend investing in equities for long term investment horizons. Investing primarily in equities carries the following risks:

- Market Risk
- Equity (Stock) Market Risk
- Company Risk
- ETF and Mutual Fund Risk
- Management Risk

Additionally, we primarily use equity mutual funds as our investment vehicle. These same risks as listed above apply to this method of investing.

Item 9 – Disciplinary Information

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

Item 10 – Other Financial Industry Activities and Affiliations

We are not and do not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker
- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- An insurance company or agency
- A lawyer or law firm
- Real estate agent or broker
- Banking or thrift institution
- A pension consultant
- A sponsor or syndicator of limited partnerships

We are an independent registered investment advisor and investment advisor representatives and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, both I and my representatives may sell other products or provide services outside of our role as investment advisor representatives.

Securities Sales

Both I and my representatives are also registered representatives of Securities America, Inc. You can engage us in this separate capacity to render securities brokerage services under a commission arrangement. We may have a financial incentive to recommend that a financial plan be implemented using a certain product or service. This is a conflict of interest because we could receive commissions in our capacity as a registered representative and could also receive advisory fees in our capacity as a registered investment advisor or an investment advisor representative.

You are under no obligation to use our services in this separate capacity or to use Securities America, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select us to implement securities transactions in our separate capacity as registered representatives, we must use Securities America, Inc. Prior to effecting any transactions, you are required to enter into a new account agreement with Securities America, Inc. The commissions charged by Securities America, Inc. may be higher or lower than those charged by other broker/dealers. In addition, as registered representatives we may also receive additional ongoing 12(b)-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

Insurance Sales

I and my representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, we may receive fees or commissions for selling these products. You are under no obligation to direct insurance transactions to insurance companies with which we may be licensed. Suitable insurance and investment products may be available from other companies.

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

Investment Policy

None of our representatives may effect for themselves or for their immediate family (i.e., spouse, minor children) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of our clients, unless in accordance with the following firm procedures.

Firm Procedures

In order to implement our investment policy, the following procedures have been put into place with respect to us and our representatives:

- (1) If we are purchasing or considering for purchase any security on behalf of our client, no representative may transact in that security prior to the client purchase having been completed by us, or until a decision has been made not to purchase the security on behalf of the client; and
- (2) If we are selling or considering the sale of any security on behalf of our client, no representative may transact in that security prior to the sale on behalf of the client having been completed by us, or until a decision has been made not to sell the security on behalf of the client.

Exceptions

- (1) This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of our clients trade in sufficiently broad markets to permit transactions to be completed without any appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, are maintained with our records in the manner set forth above.
- (2) Open-end mutual funds and/or the investment subdivisions which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds and/or variable insurance products by advisory representatives are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by our investment policy and procedures.

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each client. We and our representatives have a fiduciary duty to all clients. We have established a Code of Ethics, which all advisory representatives must read and then execute an acknowledgement agreeing that they understand and agree to comply with our Code of Ethics. The fiduciary duty of both us and our representatives to clients is considered the core underlying principle for our Code of Ethics and represents the expected basis for all dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of our or our representatives' own investment interests. All representatives will conduct business in an honest, ethical and fair manner. All representatives will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All advisory representatives have a responsibility to avoid circumstances that might negatively affect or appear to affect the advisory representatives' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of our Code of Ethics. If current clients or potential clients wish to review our Code of Ethics in its entirety, a copy may be requested from any of our representatives. A copy is provided within 30 days.

Item 12 – Brokerage Practices

You are under no obligation to act on our recommendations. You may select any broker/dealer or account custodian you wish. However, if you decide to implement our recommendations through us, Securities America, Inc. will be the broker/dealer utilized and Pershing, LLC will be the clearing firm and custodian used.

Please see **Item 5, Fees and Compensation**, for additional information about advisory services and implementing recommendations.

Securities America, Inc.

If you elect to have me or my representatives implement the advice in our capacity as registered representatives, then our broker/dealer, Securities America, Inc. ("SAI") will be used.

Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services and based on the arrangement with SAI, we require the use of SAI when opening an account through our programs. We are limited in the broker/dealer or custodians we are allowed to use due to our relationship with SAI. SAI may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

Because we are registered representatives of SAI, we are required to use the services of SAI and SAI's approved clearing firm and custodian when acting in our capacity as registered representatives. SAI serves as the introducing broker/dealer. All of our brokerage accounts are established through SAI and are cleared and held through Pershing, LLC ("Pershing"). SAI has a wide range of approved securities products for which it performs due diligence prior to selection. SAI's registered representatives are required to adhere to these products when implementing securities transactions through SAI. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Because we are also registered representatives of SAI, SAI provides compliance and supervision support to us. In addition, SAI provides us with back-office operational, technology and other administrative support.

Economic benefits are provided to us by SAI. These benefits may include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that services SAI participants exclusively
- A dedicated service group and an account services manager dedicated to our accounts
- Access to a real-time order matching system
- Electronic download of trades, balances and position information
- Access, for a fee, to an electronic interface with the account custodian's software
- Duplicate and batched client statements, confirmations and year-end reports

Pershing, LLC

If you contract for our asset management services, we establish any brokerage account needed at Pershing. The services from Pershing include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Pershing also makes available to us other products and services that benefit us but may not benefit our clients' accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation 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 client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of our accounts, including accounts not maintained at Pershing. Pershing also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing

In addition, Pershing may make available, arrange and/or pay for these types of services rendered to us by an independent third party providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our recommendation that you maintain your assets in accounts at Pershing may be based in part on the benefit to us in the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Pershing. This may create a potential conflict of interest.

Best Execution

We must still use reasonable diligence to make certain that best execution is obtained for clients when implementing any transactions. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions surrounding the transaction execution is in the best interests of clients. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with existing systems of the advisor, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered. We perform periodic reviews to determine that the relationship with SAI and Pershing are still in the best interests of our clients.

In deciding to recommend Pershing as the qualified custodian for managed accounts, we considered various factors, including its relationship with SAI and Pershing's financial strength, reputation, execution, pricing, research and service. Pershing charges brokerage commissions and/or transaction fees for effecting certain securities transactions (e.g., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity/debt securities transactions). In addition to our investment management fee, brokerage commissions and/or transaction fees, clients also incur (relative to all mutual funds and/or variable investment products that comprise their account) charges imposed at the fund/investment sub-division level (e.g., management fees and other fund expenses). Pershing's transaction charges and/or commission rates are generally considered discounted from customary retail transaction charges and commission rates. Pershing's commission and/or transaction fees may be higher or lower than those charged by other broker/dealers.

Although not a material consideration when determining to purchase a specific mutual fund for client accounts maintained at Pershing, we may also receive ongoing 12(b)-1 trailing commission compensation from the mutual fund company(ies) during the period that clients maintain the mutual fund investment. The 12(b)-1 compensation is in addition to our investment management fee. Clients who are subject to the *Employee Retirement Income Security Act of 1974* (ERISA) and individual retirement accounts subject to the Internal Revenue Code are provided with fee schedules that explicitly state accounts holding mutual funds paying 12(b)-1 fees to us are subject to a management fee discount in the amount of the 12(b)-1 fee. To effectuate this 12(b)-1 management fee discount, we have chosen to discount all load mutual funds and variable annuities for all accounts, not just ERISA and IRAs. Please note that we may also receive and retain 12(b)-1 fees in our capacity as registered representatives of SAI when implementing mutual fund transactions.

Soft Dollar

Investment advisors may direct portfolio brokerage commissions to a particular broker/dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research are known as "soft dollars." Section 28(e) of the *Securities Exchange Act of 1934* provides a "safe harbor" that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

We may receive products and services from SAI, Pershing or other program sponsors and product issuers. These products and services may be used for both research and non-research purposes and allow us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues
- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. We do not attempt to allocate the relative costs or benefits of research among clients because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to clients.

These arrangements may be deemed to create a conflict of interest to the extent that we would have to pay for some or all of the research and/or services with “hard dollars” if we were unable to obtain the research and services in exchange for commissions in connection with client transactions. Client trades are always implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

Handling of Trade Errors

If you elect to implement transactions through us, we do so in our separate capacity as registered representatives of SAI. SAI has execution and clearing arrangements with Pershing, LLC..

We have implemented procedures designed to prevent trade errors when implementing transactions. However, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. We contact SAI's Trade Department immediately about any trade error. Trading errors are usually corrected after the trade settles and may take 5-7 days to finalize.

If we, SAI or Pershing are responsible for making a trade error in a client account, the error is corrected and the client account is restored to where it would have been had the trade error not occurred. Any profit from the trade correction is retained by SAI or Pershing. Neither we nor the client retain profits from a trade correction.

Block Trades

We do not block trades.

Item 13 – Review of Accounts

Account Reviews

Financial planning services terminate upon completion of the project and no ongoing reviews are performed. We recommend that your investment objectives, account performance and personal situation be reviewed at least annually. If you elect this separate review, a new client agreement may be required and additional fees may be charged.

If you contract for asset management services, account reviews are conducted on an ongoing basis. We endeavor to have contact with you, either in person or by phone, as best suits your needs. A formal review of your assets is conducted at the close of each calendar quarter. We review your current asset positioning and stated objectives. We reaffirm the positioning of your assets. While the calendar is the main triggering factor, reviews can also be conducted at your request, due to changes in your personal or financial situation or due to unusual market or economic activity. You are reminded that you should advise us immediately of any changes in your investment objectives and/or financial situation.

Absent your specific instructions, we review accounts to verify portfolio holdings, appropriate asset allocation, possible re-balancing needs, anti-money laundering concerns, fee calculation accuracy, continued suitability and that performance continues to work toward your investment goals and objectives.

Account Reports

You receive statements from your account custodian at least quarterly and receive monthly confirmation statements if there is activity in your account. If you contract with us for asset management services, we also provide you with a quarterly report summarizing your account activity and performance. There is no additional charge above your asset management fee for our quarterly report.

Item 14 – Client Referrals and Other Compensation

Client Referrals

We do not directly or indirectly compensate anyone for referring clients to us.

Other Compensation

For additional discussion on other compensation received by me or my representatives, please refer to **Additional Compensation** under **Item 5, Fees and Compensation**, **Item 10, Other Financial Industry Activities and Affiliations**, and **Item 12, Brokerage Practices**.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. Please note that regulators have deemed the authorization to trade in client accounts to not be custody. However, we are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts.

However, our procedures do **not** result in our maintaining custody of client funds and securities:

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

Although we have trading authority on your accounts, we manage assets on a non-discretionary basis only. This means we always contact you before implementing any transactions in an account. You must accept or reject our investment recommendations, including (1) the security being recommended, (2) the number of shares or units and (3) whether to buy or sell. Once these factors are agreed upon, we are responsible for making decisions regarding the timing of the purchase or sale and the price at which it is bought or sold. You should know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of implementing trades and we may not achieve the optimal trading price.

You can place reasonable restrictions on the types of investments that may be purchased in your account.

Item 17 – Voting Client Securities

We do not vote proxies for you. You maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by you are voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. Either we or you instruct each account custodian to forward directly to you all proxies and shareholder communications relating to your investment assets.

Item 18 – Financial Information

This item is not applicable to our brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year.

We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

Privacy Notice

This notice is provided to you on behalf of The Junk Investment Group. Maintaining the trust and confidence of clients is a high priority. That is why we want you to understand how we protect your privacy when we collect and use your information and the steps that we take to safeguard that information.

Information Collected:

In connection with providing investment products, financial advice or other services, we obtain non-public personal information about you, including:

- Information received from you on account applications;
- Information received from credit or service bureaus or other third parties; and
- Information about your transactions with us or others, including your financial advisor.

Information Disclosed:

We do not disclose information regarding you or your accounts with us, except under the following circumstances:

- To your authorized financial advisor and his or her manager;
- To establish or maintain an account with an unaffiliated third party, such as a clearing broker providing services to client and/or us;
- To government entities or other third parties in response to subpoenas or other legal process as required by law;
- If applicable, to our parent companies or their affiliates, to the extent permitted by law.

Security Policy:

Only those individuals who need it to perform their jobs are authorized to have access to your confidential information. We maintain physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.

Closed or Inactive Accounts:

If you decide to close your account(s) or become an inactive customer, we adhere to the privacy policies and practices as described in this notice.

Complaint Notification:

Please direct complaints to The Junk Investment Group, 4 North Park Drive, Suite 510, Hunt Valley, MD 21030, (410) 584-8100.

Changes to This Privacy Policy:

If there are any substantial changes in the way we use or disseminate confidential information, The Junk Investment Group will notify you.

If you have any questions concerning this Privacy Policy, please write to The Junk Investment Group, 4 North Park Drive, Suite 510, Hunt Valley, MD 21030.