



## Firm Brochure

(Part 2A of Form ADV)

500 – 108<sup>th</sup> Ave NE, Suite 910  
Bellevue, WA 98004  
Phone: 425-451-0499  
Toll-free 888-451-0499  
[www.abfsnw.com](http://www.abfsnw.com)

Updated: July 1, 2012

**This brochure provides information about the qualifications and business practices of Appropriate Balance Financial Services, Inc. ("ABFS"). If you have any questions about the contents of this brochure, please contact us at 425-451-0499. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. While ABFS is registered with the SEC as a "registered investment advisor" (RIA), that registration does not imply any specific level of skill or training.**

**Additional information about ABFS is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ***Material Changes***

The SEC requires that an annual update of Form ADV Part 2 identify and discuss material changes to the business that have occurred since the last annual update of this form, which was March 31, 2011. The standard of materiality under the Advisors Act is whether there is a substantial likelihood that a reasonable investor (client) would have considered the information important.

On January 24, 2011, a group of four employees decided to leave ABFS to join another firm. Some clients of ABFS left to follow these employees to their new firm which was disruptive to ABFS' business in the short term. Over a period of months, other employees were hired and trained, and an agreement was reached between ABFS and departing employees.

On December 6, 2011, Pacific West Financial Group announced that it would discontinue its business operations. Regulatory filings are now in the process of being approved. This is a material event because Pacific West acted as a Broker/Dealer for several advisors of ABFS and their clients. A search began and representatives of ABFS entered into an agreement with Symetra Investment Services, Inc. to act as the new Broker/Dealer for advisors and clients.

In addition, ABFS acted as a third party money manager for Pacific West Financial Consultants. This is an arrangement whereby ABFS manages money for the clients of Pacific West Financial Consultants investment advisor representatives. This was a relatively small program with a limited number of clients. ABFS made the decision to discontinue this program effective no later than 6/30/2012.

While Pacific West's decision will end a 20 year relationship with ABFS, it will have no significant lasting impact on ABFS' business.

## ***Table of Contents***

<b>Item</b>	<b>Topic</b>	<b>Page</b>
1	Cover Page	1
2	Material Changes	2
3	Table of Contents	3
4	Advisory Business	4
5	Fees and Compensation	7
6	Performance Based Fees and Side-By-Side management	10
7	Types of Clients	10
8	Methods of Analysis, Investment Strategies and Risk of Loss	10
9	Disciplinary Information	11
10	Other Financial Industry Activities and Affiliations	11
11	Code of Ethics, Participation in Client Transactions and Personal Trading	13
12	Brokerage Practices	14
13	Review of Accounts	17
14	Client Referrals and Other Compensation	18
15	Custody	19
16	Investment Discretion	20
17	Voting Client Securities	20
18	Financial Information	21
	Contingency & Disaster Recovery Plan	21
	Privacy Policy	22
	ADV Part 2B	23

## ***Advisory Business***

ABFS is an investment advisory firm registered with the U.S. Securities and Exchange Commission. It was founded in 1984 and is owned by Bruce M. Yates and Robert M. Pennell. As of December 31, 2011, ABFS managed approximately \$361.2 million in 1650 accounts for 450 households. Of that amount, roughly \$308.1 million was managed on a discretionary basis and \$53.1 million on a non-discretionary basis.

ABFS provides financial planning and investment advisory services to high-net-worth individuals, families and associated trusts, estates, pension and profit sharing plans, and other legal entities.

ABFS advisors generally work to identify client goals and objectives and establish appropriate financial plans and investment portfolios for each client. Advisors often work in a team to provide the client with a broader perspective and deeper level of service.

### **FINANCIAL PLANNING SERVICES**

The client may engage ABFS for comprehensive financial planning services that typically include elements of asset allocation, retirement income planning, insurance planning and estate analysis. ABFS will rely on the client for providing current and accurate financial information and communicating to us any significant information that might affect the ultimate realization of the projected results. Upon completion and presentation of the plan the client is under no obligation to implement with ABFS. The client may take the plan and implement with whomever they choose.

The suggestions and recommendations included in the financial plan will be advisory in nature, and we cannot guarantee the performance of any investment or insurance product which may be purchased to implement recommendations in the plan. The plan will include financial projections based on assumptions about future events and we cannot ensure the achievability of such projections, as the assumptions about future events may prove to be inaccurate. The assumptions are made with the agreement that they are sound and reasonable.

All reports, financial statement projections and analyses are intended only for use in developing and implementing the financial plan. The client should not attempt to use these reports to obtain credit or for any purpose other than developing the personal financial plan. It is likely that there will be differences between projected and actual results because events and circumstances frequently do not occur as projected and these differences may be material to the client's planning needs.

The client may also choose to combine financial planning with investment advisory services.

### **INVESTMENT ADVISORY SERVICES**

ABFS' primary business is the implementation of investment portfolios. We believe in active management, as opposed to passive index investing, and in making tactical adjustments as conditions change, as opposed to a static buy and hold approach. ABFS has developed several complementary strategies with different styles and approaches. These strategies can be implemented individually or in blends based on the client's individual needs and circumstances.

Clients can impose reasonable restrictions on at least some of their accounts; for example accounts holding securities the client has held for many years and is attached to may be set up in a "non-managed" account. Another example would include a portfolio of securities that need to be transitioned to an ABFS strategy

over time to effectively manage taxes or for other reasons. Assets that a client wants to sell only at certain prices, at a certain time, etc. will not be considered a reasonable restriction for active management. The client would need to keep such assets in a non-managed account and maintain responsibility for them.

A more detailed explanation of our investment approach is available under the “Methods of Analysis, Investment Strategies and Risk of Loss” heading in this document.

## **RETIREMENT PLAN SERVICES**

ABFS also provides services related to retirement plans, which includes:

- Provide non-discretionary investment advice to the Client about asset classes and investment alternatives available for the Plan in accordance with the Plan’s investment policies and objectives. Client shall have the final decision-making authority regarding the initial selection, retention, removal and addition of investment options.
- Assist the Client with the selection of a broad range of investment options consistent with ERISA section 404(c) and the regulations thereunder.
- Assist the Client in the development of an investment policy statement (IPS). The IPS establishes the investment policies and objectives for the Plan. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.
- Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain or remove and replace investment options.
- Meet with Client on a periodic basis to discuss the reports and the investment recommendations.
- Provide non-discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative (“QDIA”) for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election. The Client retains the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).
- Assist in the education of the participants in the Plan about general investment principles and the investment alternatives available under the Plan. Client understands that Adviser’s assistance in participant investment education shall be consistent with and within the scope of (d) (i.e., the definition of investment education) of Department of Labor Interpretive Bulletin 96-1. As such, the Adviser is not providing fiduciary advice (as defined in ERISA) to the participants. Adviser will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan;

Adviser may provide these services or, alternatively, may arrange for the Plan’s other providers to offer these services, as agreed upon between Adviser and Client.

At no time will Appropriate Balance Financial Services, Inc. become a *named* fiduciary in a plan document or act as a trustee. We cannot be responsible for the acts, omissions, or solvency of any broker, agent, or independent contractor or other advisor selected in good faith to take any action to negotiate or consummate a transaction for a consulting service we provide. Our services are not designed and should not be relied upon as a substitute for individual business judgment, nor are they meant to mitigate the necessity of personal review and analysis of a particular investment. Our services are designed to supplement the fiduciaries' own planning analysis and aid them in fulfilling their business financial goals and objectives.

In addition, ABFS represents that:

- In performing Fiduciary Services, it is acting as a "limited scope" fiduciary of the Plan under section 3(21) of Employee Retirement Income Security Act ("ERISA") for purposes of providing non-discretionary investment advice only.
- It will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to Client any change to the information in this Agreement required to be disclosed by Adviser under ERISA Regulation Section 2550.408b-2(c)(1)(iv)(A) through (D) and (G) as soon as practicable, but no later than sixty (60) days from the date on which Adviser is informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond Adviser's control, in which case the information will be disclosed as soon as practicable).
- If the responsible plan fiduciary or Plan Administrator requires information related to this agreement and any compensation or fees received in connection with this Agreement in order for the Plan to comply with the reporting and disclosure requirements of Title I of ERISA and the regulations, forms and schedules issued thereunder, it shall make a written request to Adviser at least thirty (30) days in advance of the due date for such reporting and disclosure. Upon receipt of such written request and in accordance with ERISA Regulation Section 2550.408b-2(c)(1)(vi)(A), Adviser will disclose such information reasonably in advance of such due date, unless such disclosure is precluded due to extraordinary circumstances beyond the Adviser's control, in which case the information will be disclosed as soon as practicable.
- If Adviser makes an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv), a change to such information as described in section 4(C) hereof and disclosed pursuant to ERISA Regulation Section 2550.408b-2(c)(1)(v)(B), or information required under ERISA Regulation Section 2550.408b-2(c)(1)(vi) as described in section 4(D) hereof, Adviser will disclose to Client the corrected information as soon as practicable, but no later than thirty (30) days from the date on which Adviser learns of such error or omission.

## ***Fees and Compensation***

### **FINANCIAL PLANNING FEES**

ABFS provides financial planning services to individuals and groups on the following fee schedule:

Individual Plan	\$2500 Each
2-5 Plans	\$2000 Each
Over 5 Plans	Negotiable

If a client has a particularly complicated plan or unique needs, the fee may be higher. This higher fee would be quoted prior to engagement and would not be exceeded. Planning fees are due half on engagement and the remainder due on completion and presentation of the financial plan to the client. This fee may be waived for some investment advisory clients.

### **INVESTMENT ADVISORY FEES**

ABFS charges most of its clients an annual investment management fee based on the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Amounts up to \$1,000,000	1.0%
Any portion between \$1,000,000 and \$3,000,000	0.9%
Any portion between \$3,000,000 and \$5,000,000	0.8%
Any portion between \$5,000,000 and \$10,000,000	0.6%
Any portion over \$10,000,000	0.5%

ABFS generally imposes a minimum annual fee of \$5,000, which may be waived or reduced in some instances. Note that for clients with assets under management of less than \$500,000, this minimum fee can result in annual fees in excess of the 1% fee stated above. ABFS warns prospective clients in this situation that they are paying a higher percentage if they choose to have ABFS manage their assets. ABFS may waive or negotiate lower minimums for some clients, for example ABFS employees' or clients' family members. Regardless of the total assets under management, client accounts are subject to minimums for the specific ABFS strategies they choose. Clients establish an Investment Advisory Agreement (IAA), which includes both asset management and advice.

ABFS charges fees quarterly in advance based on the account value at the end of the prior quarter. Most clients authorize ABFS to deduct fees automatically from their brokerage accounts, but clients may request that ABFS send quarterly invoices to be paid by check. Either the client or ABFS may terminate the IAA (or IMA) at any time without cause. In either case, the client will receive a refund of any management fee already paid for the current quarter, less the prorated portion of the management fee attributable to the part of the quarter prior to receipt of notification of termination. If the client terminates the IAA within five business days after execution, he/she will receive a full refund of any initial discretionary management fees paid when signing it. ABFS reserves the right to refuse to institute an IAA with any client or prospective client for, or without, any reason, and to maintain fee agreements with terms and conditions substantially different from those described in this brochure for clients with whom ABFS worked prior to instituting these terms and conditions.

Any controversy or claim arising out of or relating to the IAA contract, or the breach thereof, shall be settled by arbitration in accordance with the rules of the American Arbitration Association, and judgment

upon the award rendered by the arbitrator(s) may be in any court having jurisdiction thereof. However, this is not to be construed as denying clients any other rights to which they are entitled under civil laws.

In addition to ABFS's investment management fees, clients bear trading costs and custodial fees. To the extent that clients' accounts are invested in mutual funds, these funds entail a separate layer of management, trading, and administrative expenses, which the Client, as an investor in the mutual funds, will bear directly. The ratios of fund expenses to assets vary from fund to fund. Information on the specific expenses for each of the mutual funds is set forth in the fund's prospectus and periodic reports provided by the fund to the client. ABFS generally uses only "no-load" funds, or "load" funds for which ABFS can have the load waived. Nevertheless, custodians sometimes charge trading fees for purchase and/or sale of certain mutual funds (even "no-load" funds). ABFS considers these kinds of mutual fund expenses when deciding which funds to buy for client accounts.

### **RETIREMENT PLAN SERVICES FEES**

The fee for Retirement Plan Services is:

Annual fee of 50 basis points subject to a minimum fee of \$5,000 per year and a maximum of \$25,000 per year. Fees are billed quarterly in advance. Such billing period is the "Fee Period."

The annual fees are based on the market value of the Included Assets. The initial fee will be the amount, prorated for the number of days remaining in the initial Fee Period from the Effective Date of this Agreement, based upon the market value of the Plan assets on the first business day of the initial Fee Period and will be due on the first business day of the Fee Period. Thereafter, the fee will be based upon the market value of the Plan assets on the last business day of the previous Fee Period (without adjustment for anticipated withdrawals by Plan participants or other anticipated or scheduled transfers or distributions of assets) and will be due the following business day. If this Agreement is terminated prior to the end of a Fee Period, Adviser shall be entitled to a fee, prorated for the number of days in the Fee Period prior to the effective date of termination. Any unearned fee shall be returned by Adviser.

### **HOURLY/PROJECT FEES**

ABFS also may provide hourly services and advice, for which it charges hourly fees that vary depending on the services offered and person providing them. ABFS hourly rates are:

- \$150-\$350/hour for advisors
- \$75-\$100/hour for estate and trust administration services
- \$50-75/hour for staff

Hourly fees will be charged at the minimum of ½ hour per occurrence and billed at the end of the month in which services are rendered. Hourly fees are not generally charged to clients with assets under IIA management, unless the client requires unusual amounts of personal advice or service.

Project fees are based on the scope of the project. They will be quoted in advance. Project fees are due half on engagement and the remainder due on completion and presentation of the project to the client.

### **OTHER COMPENSATION**

The vast majority of ABFS's revenue comes from fees it receives for the advice and asset management described above. ABFS does, however, also receive some compensation from two other sources: insurance products and certain non-marketable securities. It is important to note that ABFS has a strict policy against



“double dipping.” That means ABFS will not charge management fees for any assets for which ABFS or its advisors also receive commissions or other such compensation. Nevertheless, any time there are different levels or types of compensation for different investments or strategies, it creates conflicts of interest. Primary among these is the fact that an advisor or their supervisors might be tempted to recommend a product or strategy because of its higher compensation. In an attempt to reduce that conflict of interest, most ABFS advisors are paid a salary, rather than being incentivized to generate any particular type of transaction. Furthermore, ABFS advisors are repeatedly reminded of their fiduciary duty to recommend only the investments and strategies that they consider in the very best interest of each client, regardless of compensation to ABFS or themselves.

## **INSURANCE COMPENSATION**

Some ABFS advisors are currently licensed as insurance agents with different insurance companies. In addition, ABFS established an insurance agency in 2008 in order to help mitigate the compensation conflicts of interest inherent when its employees/advisors advise clients on insurance matters. The financial planning and estate planning process often raises issues that are traditionally addressed with the use of insurance products. However, the nature of the insurance business, especially its commission based compensation system, makes it difficult to find insurance agents that meet ABFS’s standards for fiduciary duty to the client. Most ABFS advisors receive no additional compensation (commissions) for advising on or selling insurance products through this agency; their commissions are assigned to the firm. We believe this structure helps align our advisors’ interests with the clients’ and better positions advisors to act as fiduciaries. ABFS advisors who use annuities and/or insurance products have a wide variety of products and companies from which to choose. The companies they use depend on which companies’ products are most competitive and attractive for our clients. It is expected that the list of companies used will change frequently as companies with more or less attractive products are added or dropped.

## **NON-MARKETABLE SECURITIES COMPENSATION**

The other non-fee source of revenue for ABFS is from certain non-marketable securities, which are not traded daily the way stocks, bonds and mutual funds are. The non-marketable securities sometimes (when suitable) recommended by those advisors to clients are generally “direct-participation programs” (or “DPPs”), specifically non-traded REITs (real estate investment trusts), private-placement secured real estate notes, and managed futures funds. In some cases, ABFS receives one-time compensation for such securities, but we prefer compensation in smaller increments over time because that is more consistent with ABFS’s quarterly management fees. DPP investments all carry specific risks, including limited or no liquidity, that are disclosed in their individual offering memoranda and which ABFS advisors discuss with clients before recommending or facilitating their purchase.

As mentioned earlier, anytime a person or firm receives different levels of compensation for one investment recommendation compared to another, or indeed receives any compensation at all, it naturally creates conflicts of interest. If ABFS will receive a higher rate of compensation by having clients’ money in one strategy or security than another, advisors have reason to try to keep money invested in the one(s) for which ABFS will receive more fees and/or other compensation. Indeed, ABFS’ owners and principals indirectly benefit from money in DPPs because the income ABFS receives as a result helps cover ABFS expenses and liabilities that might otherwise have to be paid from other revenues or by them personally. This creates conflicts of interest for ABFS’s owners and principals; they have a financial incentive to keep ABFS clients’ money invested in strategies and securities that produce the most compensation for ABFS. While ABFS readily acknowledges this conflict of interest, ABFS advisors are ethically obligated to recommend investment vehicles or strategies not because they produce higher compensation to ABFS (or

the advisor), but because they are consistent with each client's risk tolerance, goals, and other circumstances. To assure investment suitability, each ABFS advisor is required to discuss with each client considering investment in any securities that would be transacted as a registered representative, the special characteristics and risks involved, as well as the fact that such investments fall outside the regular fee activities of ABFS. In general, no more than 10% of a client's investments (20% if a client is "accredited") are to be invested in any one such security, and clients wishing to invest higher amounts are warned of the potential lack of diversification that could result.

ABFS does not set goals, provide incentives, or otherwise encourage its advisors to sell insurance products or DPPs. As mentioned above, they represent a minor portion of ABFS's revenues. Advice and sale of those vehicles are simply a supplemental service advisors provide in the course of their fee based work for clients. Furthermore, clients are under no obligation to implement recommendations for such products through companies represented by ABFS and its advisors. Clients are free to purchase investment products recommended by ABFS on their own through other brokers or agents if they so choose.

### ***Performance Based Fees and Side-by-Side Management***

ABFS does not charge any performance fees.

### ***Types of Clients***

ABFS provides financial planning and investment advisory services to high-net-worth individuals, families and associated trusts, estates, pension and profit sharing plans, and other legal entities. Often, clients come from the health care industry or are business owners. ABFS has a minimum annual fee of \$5000. Based on our fee structure most clients invest in excess of \$500,000 per household for ABFS to manage.

### ***Methods of Analysis, Investment Strategies and Risk of Loss***

ABFS uses a team approach to investment management. The ABFS Portfolio Management Team is made up of 5 people and meets daily to review and discuss market and economic conditions and assess the impact on our strategies, review manager and strategy performance and determine if changes are needed. The ABFS Investment Committee meets on a weekly basis, and includes members of the Portfolio Management Team and all ABFS advisors and management, to discuss existing and prospective investments. Investments are evaluated independently, as well as by each client's advisor in the context of clients' existing holdings and objectives.

All investing involves a risk of loss, and clients need to be prepared to bear those losses. Clients can often find detailed discussions of specific risks for individual investments in the prospectus or offering memorandum. Because of this inherent risk in investing, ABFS utilizes the following portfolio management approach.

ABFS generally invests the majority of client assets in domestic and international stocks, bonds, mutual funds, exchange traded funds ("ETFs") and exchange traded notes ("ETNs"). See the section entitled "Brokerage Practices" for a discussion of firms at which these securities are traded.

The ABFS Portfolio Management Team works together to conduct analysis on securities recommended for or used in client accounts. This analysis varies depending on the security in question. For bonds, this

analysis is primarily geared towards issuer creditworthiness, i.e., the issuer's ability to satisfy the terms of the bond (pay interest until maturity plus principal at maturity). For mutual funds and ETFs the analysis generally includes a review of:

- The fund's management team;
- The fund's historical risk and return characteristics;
- The fund's exposure to sectors and individual issuers;
- The fund's fee structure; and
- Any other factors considered relevant.

Most ABFS investment strategies employ an "active" and "tactical" asset allocation approach to adjust portfolios as appropriate to respond to changing economic and market conditions. This differs from a passive "buy-and-hold" approach that typically does not react to changing conditions. We will utilize different managers (aggressive approach v. defensive approach) at different times during a full market cycle.

ABFS also uses "technical analysis," which is the evaluation of chart patterns to help determine attractive purchase prices, as well as to help establish stop-loss levels. A "stop-loss" is a technique that is used to attempt to limit downside risk and losses in a major market decline. Specific stop-losses are set on a security by security basis. When a stop-loss is triggered, we are willing to raise and hold significant amounts of cash or cash equivalents until we can find other investments that look attractive.

During volatile markets, such approaches can result in numerous purchases and sales in short periods of time. A tactical approach to trading securities also carries with it the risk of under-performing other stock market investments, especially during choppy markets and rallies. Frequent trading can hurt investment performance by incurring additional transaction costs and taxation (in taxable accounts) of gains as short-term capital gains. This makes some ABFS strategies more attractive for tax-sheltered accounts, such as IRAs. Even in taxable accounts, however, ABFS believes that adherence to such disciplines can reduce losses and enhance net returns over full market (both a bull and bear market) cycles.

Depending on a client's investment objectives, ABFS might engage in the use of options. The use of options poses additional risks that are discussed in detail with any client who is considering the use of these investment vehicles. Option risks can include extreme volatility, possibility of total loss of the amount ("premium") paid, or in the case of call writing, forced sale of stock and forfeiture of higher gains that might have been possible if the stock continued rising and had not had options written on it.

### ***Disciplinary Information***

ABFS and its employees have not been the subject of any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

### ***Other Financial Industry Activities and Affiliations***

ABFS is not a securities broker/dealer. Some ABFS advisors, however, are registered representatives of Symetra Investment Services, Inc. (SIS), which is a registered broker/dealer. Those individuals are capable of effecting and receiving commission compensation for transactions in certain securities that are not publicly traded ("non-traded securities"), and which may be recommended to clients either during financial

planning or as part of ongoing client advice. Compensation for such securities, and conflicts of interest, are explained in the "Fees and Compensation" section of this brochure.

Some ABFS advisors are also insurance licensed, and clients may purchase insurance and/or annuities through those persons. Clients are under no obligation to implement recommendations for insurance or non-traded securities through ABFS or SIS. However, if they do so, commissions could be earned by ABFS and/or ABFS advisors, in addition to advisory or management fees having been paid to ABFS.

ABFS has placed stringent restrictions in its Investment Advisory Agreement (IAA) in an effort to reduce as much as possible the conflict of interest this creates. Specifically, ABFS agrees NOT to allow any transactions in any assets under discretionary management under the IAA to be made through SIS or in any other manner which would result in ABFS or any of its affiliates, employees, or associated persons receiving commission compensation for such transactions in addition to the hourly or quarterly fees charged by ABFS for those assets under the IAA. Since this policy covers such investments as stocks, bonds, and mutual funds - securities in which abuses such as "churning" are historically most likely to occur - clients can therefore be assured that ABFS' transactions in such assets are not "commission-motivated." ABFS acknowledges (and discloses to all clients) that the IAA does not preclude or restrict ABFS or associated persons from transacting, and receiving commission compensation for investments not included in the IAA. If ABFS does not charge ongoing fees for clients' money invested in such assets, it is considered reasonable to allow ABFS or associated persons to receive handling fees or commissions resulting from investments therein. If/when such vehicles are recommended by associated persons, ABFS will cease charging management fees on any money thus invested as long as it remains in such vehicles and ABFS or associated persons are being compensated by that investment. If/when such outside compensation ceases, the value of such assets may again be included under the IAA, and subject to IAA fees..

ABFS established an insurance agency in 2008 in order to mitigate the compensation conflicts of interest inherent when its employee/advisors advise clients on insurance matters. The financial planning and estate planning processes often raise issues that are traditionally addressed with the use of insurance products; however, the nature of the insurance business, especially its commission based compensation system, makes it difficult to find insurance agents that meet ABFS' standards for technical knowledge and fiduciary duty to the client. ABFS formed its own insurance agency, which enables the firm to help mitigate the compensation conflicts inherent in advising on insurance. A critical element in that mitigation is the fact that ABFS employees receive no additional compensation (commissions) for advising on or selling insurance products through this agency; all commissions from the sale of insurance products by ABFS employees are assigned to the firm. We believe this structure helps align our advisor's interests with the client's and better positions advisors to act as fiduciaries. While ABFS believes advising on insurance is an important supplementary service to our clients, it is important to note that it is not considered a profit center for the firm. ABFS expects insurance commissions to account for no more than 5-10% of firm revenue in any given year. ABFS does not set goals, provide incentives, or otherwise encourage its advisors to sell insurance products. Insurance advice and sales are simply a supplemental service advisors provide in the course their fee based work for clients. Clients are under no obligation to implement recommendations through any insurance companies represented by ABFS advisors, and insurance recommendations are made in sufficiently general fashion for clients to implement them on their own through other sources.

ABFS advisors who use annuities and/or insurance products have a wide variety of products and companies from which to choose. As "independent" agents, they can potentially become licensed with any of literally hundreds of insurance companies. Doing so depends on which companies' products are most competitive and attractive for their clients. It is expected that this list will change frequently as companies with more or less attractive products are added or dropped.

ABFS has entered into a custodial agreement with Jefferson National Life (JN). Under this relationship, ABFS uses JN as a custodian and manages client variable annuity assets there, but (for clients in most states) neither ABFS nor its advisors act as agent or receive commission compensation for those accounts. Instead, JN has established a “flat fee” platform specifically for fee investment advisors, under which JN charges a flat dollar amount for all trading and custody charges. In such accounts, ABFS simply charges a regular management fee (i.e. 1% on the first \$1,000,000, 0.9% on the next \$2,000,000, etc.) as it would at other custodians (Schwab, TD Ameritrade, etc.).

In addition to the “in-house” management strategies ABFS offers, ABFS may make available "Outside Management," which utilizes the specialized management of outside sub-advisors. When utilized, a portion of ABFS' fees are paid to the other parties for the services they provide ABFS clients, and separate management agreements are signed by each client utilizing such services. ABFS may enter into additional similar arrangements with firms it believes will benefit its clients.

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

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

ABFS’s employees are generally permitted to trade alongside client accounts as long as they receive the average price that is applicable to clients and pay their share of any transaction costs, or trade after all client transactions for the day are completed. However, no employees are allowed to participate in partially filled orders until all clients’ orders have been filled. The Chief Compliance Officer monitors employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

All ABFS employees are required to report all transactions in any “reportable securities” in which they have a direct or indirect beneficial interest. Employees are not required to report transactions in open-end mutual funds, U.S. Treasury securities, certificates-of-deposit, and commercial paper or other money market type instruments. ABFS has adopted policies and procedures designed to detect and prevent conflicts of interest and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. All transactions in securities (other than the ones noted above) are required to be pre-cleared and in compliance with ABFS’ Code of Ethics for Personal Trading to ensure that there is no conflict of interest or insider trading. Employees are required to report personal securities transactions to ABFS on a quarterly basis.

ABFS maintains a watch list of securities that are being considered for client accounts, as well as securities already held in client accounts. Any proposed employee transaction involving securities on the watch list—or any other publicly traded stocks or bonds—requires pre-clearance from one of the portfolio managers who can assure that no trades are pending in that security that day. Transactions in illiquid or private placement securities also require pre-clearance, generally by the Chief Compliance Officer. Neither the Chief Compliance Officer nor portfolio managers grant pre-clearance where it would appear that an employee’s trading could foreseeably disadvantage ABFS’s clients.

## ***Brokerage Practices***

To enhance efficiency and to reduce transaction costs, ABFS requires that all assets managed on a discretionary basis—under the Investment Advisory Agreement (IAA)—be held in accounts at clearing firms with which ABFS has established relationships. ABFS establishes relationships with firms based on multiple factors, e.g., transaction costs, other fees and expenses, client service, trading capabilities and/or efficiency of operations. Clients may have transactions in those of their assets *not* managed by ABFS handled at any firm they choose. Certain illiquid investments that generally do not require frequent advice or attention are generally excluded from IAA agreements; such investments might include private placement securities, personal real estate, limited partnerships, fixed annuities, etc. ABFS also reserves the right to exclude from the IAA any other assets it chooses (e.g., obscure or low-priced stocks about which little information is readily available).

Under the IAA, clients limit the assets over which ABFS has discretion to execute individual transactions without the client's prior authorization. In the case of bond purchases, however, even clients who have not given ABFS discretionary management authorization may request that ABFS find and purchase a certain quantity of bonds without prior approval. Such authorization is limited to those specific transactions, and should not be confused with ongoing discretionary management.

Clients receive transaction confirmations and/or monthly or quarterly statements directly from the financial institution where their accounts are held. Clients can and are expected to check each transaction to be sure it is in line with their wishes. Clients are expected to contact ABFS immediately and question the nature/accuracy of any transaction(s) about which they may be concerned.

ABFS generally recommends that clients arrange for most of their liquid securities to be held with Charles Schwab & Co., Inc. (“Schwab”) or TD Ameritrade (“TDA”). ABFS has managed client assets held at Schwab and TDA for many years and has found them to offer good services at competitive prices. ABFS works with Schwab’s “Institutional” division, and ABFS participates in the institutional advisor program offered by TD Ameritrade Institutional. ABFS receives some benefits from Schwab and TDA through its participation in these programs. (Please see the disclosure under Client Referrals and Other Compensation below.) TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TDA”), an unaffiliated SEC-registered broker-dealer and FINRA member. TDA offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions.

### Soft Dollar Arrangements

Under Section 28(e) of the Securities Exchange Act of 1934, an investment adviser is generally deemed to have acted lawfully and in a manner consistent with its fiduciary duties under federal and state law, if the adviser determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research products or services provided by such broker. For purposes of Section 28(e), research products or services provided by a broker may include written information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; databases and other technical and telecommunications services utilized in the investment management process; and other consulting fees in connection with investigating and monitoring potential and existing investments and other products and services providing lawful and appropriate assistance to the investment adviser in the performance of its investment decision making responsibilities, without regard to whether the research products or services benefit or solely benefit the account bearing the commission charge.

"Research" products and services ABFS may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services that provide lawful and appropriate assistance to the firm in the performance of its investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. We generally use such products and services in the conduct of our investment decision-making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

ABFS will only utilize soft dollar arrangements consistent with Section 28(e). If a product or service obtained provides both research and non-research assistance to ABFS (i.e., a "mixed use item"), ABFS will pay for that product or service from its own resources.

#### Mutual Fund Transactions

Although shares of no-load mutual funds can be purchased and redeemed without payment of transaction fees, we may, consistent with our duty of best execution, determine to cause client accounts to pay transaction fees that may be higher than those obtainable from other broker-dealers when purchasing shares of certain no-load mutual funds through Schwab or TDA in order to obtain "research". This research may not be used for the exclusive benefit of the clients who pay transaction fees in purchasing mutual fund shares.

#### Amount and Manner of Payment

A broker-dealer through which the firm wishes to use soft dollars may establish "credits" arising out of brokerage business done in the past, which may be used to pay, or reimburse the firm for, specified expenses. In other cases, a broker-dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate it. The actual level of transactional business the firm does with a particular broker-dealer during any period may be less than such a suggested level, but may exceed that level and may generate unused soft dollar "credits." ABFS does not exclude a broker-dealer from receiving business simply because the broker-dealer has not been identified as providing soft dollar research products and services, although we may not be willing to pay the same commission to such broker-dealer as we would have paid had the broker-dealer provided such products and services.

The products and services received via soft dollars help ABFS service all of its clients, not just those at Schwab or TDA, and not just those whose trading makes these arrangements with Schwab and TDA possible. Also, some of the products and services listed above benefit clients whose accounts are held by other custodians, which could create a conflict of interest between the clients at Schwab or TDA, who are indirectly paying for the products and services, and the clients at other custodians who may benefit from the products and services. ABFS does not direct any trading to any one firm in return for these benefits; trading at Schwab and TDA is only for accounts at those two firms.

ABFS's receipt of these products and services does not diminish its duty to seek best execution of trades for client accounts. However, it does create a conflict of interest, in that ABFS has incentive to recommend the use of Schwab and TDA in order to get these products and services, rather than using Schwab and TDA as custodians/broker-dealers based solely on client service and clients' interest in receiving most favorable execution of trades (see "Best Execution Reviews" below). ABFS believes that Schwab and TDA offer ABFS clients very competitive service and pricing.

### The Selection of Trading Counterparties

ABFS can typically trade accounts held at Schwab or TDA using other broker/dealers. However, Schwab or TDA charges clients “trade-away” fees that ABFS believes usually outweigh any benefits from trading stocks, mutual funds, or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade, ABFS sometimes solicits bids from dealers and then executes the trade with a dealer that offers sufficient liquidity and favorable pricing.

### Best Execution Reviews

On at least an annual basis ABFS will evaluate the pricing and services offered by Schwab, TDA and any other trading counterparties with those offered by other reputable firms. ABFS has sought to make a good-faith determination that Schwab and TDA and other chosen trading counterparties provide clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by ABFS’s receipt of products and services from Schwab or TDA. Historically ABFS has concluded that Schwab or TDA are as good as, or better than, the other firms that have been considered. ABFS would notify its clients if it were to determine that another firm offered better pricing and services than Schwab or TDA.

### Aggregated Trades

ABFS typically aggregates, or bunches, client trades in an effort to treat all clients fairly. ABFS calculates the total quantity it plans to purchase or sell, places “block” orders, and then instructs the custodian to allocate the executed orders into individual accounts. ABFS believes this benefits its clients by allowing it to negotiate block trades with lower transaction costs, better prices, and/or less disruption of trading in some securities.

ABFS attempts to allocate trades so as to not systematically favor certain clients over others (such as allocating better prices to clients who pay ABFS more fees). For example, all block trades in a certain security on a given day are combined to calculate an average price, which then applies to all clients involved in the block trade(s) for that security that day. Clients participating in a block order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. Employees may be included side-by-side in bunched client trades. If an order is partially filled, clients will have their orders fully filled on a randomized basis; ABFS will seek to complete any unfilled client orders on the next trading day. Employees are excluded from block trades whenever client orders are only partially filled. ABFS recognizes its responsibility to seek best trade execution for clients, but clients should understand that on some transactions, aggregation may be less favorable for some clients than separately placed orders would have been, i.e., they might receive a higher or lower price if an individual order was placed only in their account rather than including them in an aggregate/block trade.

### Cross Trades

ABFS may determine that it is more cost effective and in the best interests of both clients to “cross” fixed income securities between client accounts. ABFS, acting as advisor and fiduciary to both buyer and seller, may effect cross trades consistent with its policies and procedures. Purchase and sale orders in the same security will be simultaneously entered through and executed by a non-affiliated broker-dealer at the then current market price as determined by the broker-dealer. ABFS may execute a cross trade only consistent with its adopted policies. Pursuant to current regulations, ERISA accounts will not be provided the opportunity to participate in cross trades.



### Brokerage for Client Referrals

ABFS receives referrals from other companies (see Client Referrals and Other Compensation below). Generally, those parties act in the role of “solicitor” and receive a portion of the fees ABFS charges referred clients.

ABFS may receive client referrals from TD Ameritrade (TDA) through its participation in TDA AdvisorDirect program. ABFS believes that TDA offers ABFS clients very competitive service and pricing, and ABFS utilized and recommended TDA as a custodian and broker-dealer for ABFS clients many years ago, prior to participation in the AdvisorDirect referral program.

ABFS’s participation in these referral programs does not diminish its duty to seek best execution of trades for client accounts. However, in order to obtain client referrals from TDA, ABFS may have an incentive to recommend to clients that the assets under management by ABFS be held in custody with TDA and to place transactions for client accounts with TDA, rather than solely based on clients’ interest in receiving most favorable execution. ABFS does not generally direct trades for non-TDA clients to TDA for brokerage because of its involvement in the AdvisorDirect program; rather, TDA generally only transacts trades for clients whose accounts are actually held at TDA. An exception might be if ABFS’s traders believed they could get better execution of a block trade by having TDA execute it and allocate part of the block to Schwab.

### Directed Trades

A client may direct ABFS to utilize a particular broker-dealer to execute some or all transactions for the client’s account. In such circumstances, the client is responsible for negotiating the terms and arrangements for the account with that broker-dealer. ABFS will not seek better execution services or prices from other broker-dealers or be able to aggregate the client's transactions, for execution through other brokers-dealers, with orders for other accounts advised or managed by ABFS. As a result, ABFS may not be able to obtain best execution on behalf of the client, who may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case.

### Trade Errors

ABFS has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, ABFS will use reasonable efforts to correct the error as soon as possible. The goal of error correction is to make the client “whole,” regardless of the cost to ABFS. If ABFS reallocates or corrects an error from one client’s account to another, any loss from the error must be absorbed by ABFS. Soft dollar arrangements cannot be used to correct errors made by ABFS when placing a trade for a client’s account. ABFS will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected.

## ***Review of Accounts***

Accounts under ABFS’s management are monitored on an ongoing basis by Investment Committee members. Each advisor reviews all his/her IAA clients' holdings at least quarterly, as well as in connection with each client meeting. Reviews of client accounts will also be triggered if a client changes his or her investment objectives. In addition, a cross-referenced list of all securities owned by all advisory clients is readily available in the ABFS computer database. When situations arise and come to the attention of ABFS which involve a certain security or group of securities, a special review of all affected managed accounts is

triggered at that time to determine the action warranted in each case. Managed assets may be monitored more frequently than quarterly (and by additional ABFS advisors) if volatile conditions so warrant and/or numerous ABFS clients own the same securities. In such cases, monthly or even weekly reviews may (but will not necessarily) occur.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. ABFS supplements these custodial statements with quarterly reports, and typically during client meetings or as requested.

### ***Client Referrals and Other Compensation***

ABFS pays a portion of its advisory fees to other investment advisers in connection with those advisers' referral of clients to ABFS. Currently, ABFS has such an arrangement with TD Ameritrade (TDA). As solicitors, they receive a portion of referred clients' fees received by ABFS.

As disclosed under Brokerage Practices above, ABFS participates in TDA's institutional customer program and ABFS may recommend TDA to clients for custody and brokerage services. There is no direct link between ABFS's participation in the program and the investment advice it gives to its clients, although ABFS receives economic benefits through its participation in the program that are typically not available to TDA retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to ABFS by third party vendors. TDA may also have paid for business consulting and professional services received by ABFS's related persons. Some of the products and services made available by TDA through the program may benefit ABFS but may not benefit its client accounts. These products or services may assist ABFS in managing and administering client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help ABFS manage and further develop its business enterprise. The benefits received by ABFS or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TDA. As part of its fiduciary duties to clients, ABFS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by ABFS or its related persons in and of itself creates a potential conflict of interest and may indirectly influence ABFS's choice of TDA for custody and brokerage services.

In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, ABFS may have been selected to participate in AdvisorDirect based on the amount and profitability to TDA of the assets in, and trades placed for, client accounts maintained with TDA. TDA is a discount broker-dealer independent of and unaffiliated with ABFS and there is no employee or agency relationship between them. TDA has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TDA does not supervise ABFS and has no responsibility for ABFS's management of client portfolios or ABFS's other advice or services. ABFS pays TDA an ongoing fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to ABFS ("Solicitation Fee"). ABFS will also pay TDA the Solicitation Fee on any advisory fees received by ABFS from any of a

referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired ABFS on the recommendation of such referred client. ABFS will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TDA to its clients. For information regarding additional or other fees paid directly or indirectly to TDA, please refer to the TDA AdvisorDirect Disclosure and Acknowledgement Form.

ABFS's participation in AdvisorDirect raises potential conflicts of interest. TDA will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TDA and whose client accounts are profitable to TDA. Consequently, in order to obtain client referrals from TDA, ABFS may have an incentive to recommend to clients that the assets under management by ABFS be held in custody with TDA and to place transactions for client accounts with TDA. In addition, ABFS has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TDA or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. ABFS's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Occasionally, sponsors of products ABFS utilizes (e.g., mutual fund companies) send ABFS gifts, the most common being food baskets during the holidays. ABFS personnel are also occasionally taken to lunch or dinner by such companies, at which meals the sponsor and ABFS employees discuss the status and merits of that company's products. ABFS advisors are reminded of their fiduciary duty to recommend investments only based on their appropriateness for each client, not to qualify for such benefits.

ABFS may from time to time participate in marketing programs sponsored by other financial services companies (e.g., insurance companies, direct participation program sponsors, etc.). For example, ABFS may receive reimbursements for certain marketing expenses. While such economic benefit raises potential conflicts of interest, ABFS – before participating in any such program – makes clear to program sponsors that ABFS is in no way agreeing to conduct any particular amount of future business (or indeed, any at all) with those sponsors in return, and indeed, that ABFS' advisors are ethically obligated to make recommendations only if they are in the best interests of the client and consistent with each client's risk tolerance, goals, and other circumstances, and not for any other reason. As a firm, ABFS has adopted a Code of Ethics and policies and procedures designed to ensure that the firm and its advisors uphold their fiduciary duty to clients and act in accordance with applicable law.

Other than the above, and the previously described products and services that ABFS receives, ABFS does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

## ***Custody***

ABFS will not have custody of any assets in a client's account. All clients' ABFS "Managed" accounts are held in custody by unaffiliated broker/dealers, banks or insurance companies, but ABFS can access many clients' accounts through its ability to debit advisory fees. For this reason ABFS is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account statements, billing invoices and any other information provided by ABFS and notify ABFS immediately of any discrepancies.

## ***Investment Discretion***

ABFS has investment discretion over all clients' ABFS "Managed" accounts. Clients grant ABFS trading discretion through the execution of their custodian's limited power of attorney form, which clients sign in conjunction with ABFS's management agreements.

Clients can place reasonable restrictions on ABFS's investment discretion. For example, in "Non-Managed" accounts, where clients sometimes instruct ABFS to buy or sell certain securities, some clients may ask ABFS not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis. Meeting these restrictions generally requires that ABFS segregate the securities in question where such restrictions can readily be honored.

## ***Voting Client Securities***

### Proxies

ABFS has developed Proxy Voting Guidelines to ensure that proxies for which ABFS has been delegated voting authority are voted consistently and in the best interest of ABFS clients. Delegation of proxy voting to ABFS is at the sole discretion of the client and is applicable to all securities held in the account (supervised and unsupervised). The client must contact their custodian to instruct re-direction of proxy materials and notify ABFS of any such proxy voting assignments. ABFS considers receipt of proxy materials as authorization by the client to vote proxies on their behalf. If clients wish to rescind this delegation of voting authority they must contact their custodian as well as notify ABFS of this change. Clients should note that events causing the custodian to require new paperwork for an existing account may cause the coding for the proxy voting materials to default back to the client.

ABFS will not be responsible or liable for failing to vote any proxies where ABFS did not receive the proxies or related shareholder communications in a timely manner. ABFS may change these guidelines in response to general corporate governance practices, without providing prior notice of the changes to clients.

ABFS's guidelines are not rigid policy positions nor are they intended to address all potential voting issues. Each matter is considered on a case-by-case basis and may be voted in a manner different from the guidelines. ABFS may elect to abstain from voting if it is determined that such action is in clients' best interests.

In general, ABFS votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. ABFS also generally votes in favor of compensation practices and other measures that allow companies to attract and retain key employees and directors, and that align the interests of management and shareholders. Because we are normally voting proxies for many clients at once, we do not generally allow individual clients to choose how to vote any particular proxy. However, upon written request, clients can at any time take responsibility for voting their own proxies.

The Chief Compliance Officer (CCO) is generally responsible for determining the vote on all proxies received into the office in a timely manner and in the best interest of ABFS clients collectively. Given the size and nature of ABFS's business it is rare when a conflict of interest arises. Furthermore, by consistently applying the guidelines across proxy proposals potential conflicts of interest are minimized. However, in the event that a conflict of interest is identified, the CCO will immediately notify the ABFS Proxy Voting Committee. The Committee will first apply the ABFS Proxy Voting Guidelines and in the event of a "case-by-case" recommendation, will consult with the firm's other Portfolio Managers to determine a vote. ABFS and ABFS

employees may own positions in the companies for which ballots are to be cast. Generally, such ownership is immaterial versus the total shares outstanding for the company. However, in the event of significant ownership, the Committee will vote the ballots as stated above when a conflict of interest is identified.

A copy of ABFS's proxy voting policies and procedures, as well as specific information about how ABFS has voted in the past, is available upon written request.

#### Class Action Claims

Although ABFS is authorized to provide investment supervisory services and vote client proxies, ABFS will not file proof of claims in class action settlements. Clients assume the sole responsibility of evaluating the merits and risks associated with any class action settlement; therefore, clients are responsible for filing proofs of claims. ABFS cannot provide legal advice, and clients are encouraged to consult with their legal advisor when filing claims in securities class actions suits. The client's response to a settlement notice will impact the client's legal rights. In no way shall a client be precluded from contacting ABFS for information about a particular class action settlement, and ABFS will attempt to provide information (e.g., regarding quantities, purchase dates, etc.) the client may need to file proof of claims. Should ABFS inadvertently receive proof of claims for securities class action settlements on behalf of clients, ABFS will immediately forward such information on to clients and will generally not take any further action with respect to the claim.

### ***Financial Information***

ABFS has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

### ***Contingency and Disaster Recovery Plan***

ABFS has established a Contingency and Disaster Recovery Plan which outlines the immediate and long-term contingency planning and recovery process. The purpose of the Contingency and Disaster Recovery Plan ("CDRP") is to provide specific guidelines the firm will follow in the event of a failure of any critical business capability.

The goal of the CDRP is to provide uninterrupted service to our clients or to minimize the downtime should a system or vendor failure occur. The CDRP has been developed to meet the following objectives:

- Provide for immediate, accurate and measured response to emergency situations;
- Minimize the impact upon the safety and well-being of firm personnel;
- Protect against loss or damage to organizational assets;
- Provide our clients with alternative site processing with a minimum of inconvenience.

Risk assessment, disaster prevention, and disaster avoidance are critical components of ABFS's contingency planning process. The implementation of this CDRP should help to ensure all data processing systems, data communication facilities, information, data and business functions can be restored in a secure manner. Restoration must be accomplished in a time frame consistent with legal, regulatory and business requirements while maintaining information integrity.

## ***Privacy Policy***

At Appropriate Balance Financial Services, Inc. (ABFS), we take your privacy very seriously. We recognize that current and former ABFS clients, as well as others to whom we mail or otherwise provide information or services (such as our quarterly newsletter), have entrusted us with personal information. This notice describes how we handle information that we collect about you in the process of conducting our business, whether merely an address and phone number or very detailed financial information. We already safeguard this information, but law requires that we, as well as all other financial firms, formally notify you of how we do so. We will be sending out reminders of this policy on an annual basis.

We recognize our obligation to keep information about you secure and confidential. It is important for you to know that we do not sell your information to anyone. We restrict access to nonpublic personal information about you to ABFS advisors and employees, who may need to know that information to provide products or services to you. We also maintain physical, electronic, and procedural safeguards to protect your nonpublic personal information. All ABFS employees are required to sign confidentiality agreements.

We may provide nonpublic personal information about you to nonaffiliated third parties when there is a reason and it is permitted or required by law. An example of this would be sharing information with persons or entities that have supervisory, regulatory or due diligence authority/responsibility for ABFS and/or its employees. This includes the Financial Industry Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC), Symetra Investment Services, Inc., and other such entities. We may also need to pass on personal information to Charles Schwab & Co., Inc. (Schwab), TD Ameritrade, Symetra Investment Services, Inc., or other companies with whom we process paperwork on your behalf in the course of helping with your investment accounts. However, we never sell information to anyone, or provide it for the purpose of profiting in any way.

ABFS collects nonpublic personal information about you from applications and other forms that we receive from you, as well as from oral, written and email communications. Any personal information obtained by ABFS advisors or employees in the course of working with you in any capacity will be accessible to ABFS and its employees as needed to provide you with the products and services you request. Unless you specifically authorize or instruct us otherwise, this access to your information is limited to ABFS employees; we provide outside companies (e.g., Schwab or TDAmeritrade) only that information they need to specifically perform their duties in handling your accounts, or to the extent we are required to do so for legal and/or regulatory reasons.

If you have any questions about this privacy policy, please don't hesitate to call your financial advisor.