



Manchester Financial, Inc.

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March 29, 2012

This brochure provides information about the qualifications and business practices of Manchester Financial, Inc. If you have any questions about the contents of this brochure, please contact us at 805-495-4405 or advisor@mfinvest.com. 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.

Manchester Financial, Inc. is a SEC registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information with which you determine to hire or retain an Adviser.

Additional information about Manchester Financial, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

This brochure, dated March 29, 2012, is an update to our previous brochure dated March 31, 2011. Changes to this brochure include the following:

- Assets under management were updated to reflect regulatory assets under management calculated pursuant to SEC guidance and reported as of December 31, 2011. (Item 4)
- Disclosure related to fees was amended to reflect that fees are determined at the time of contract initiation. (Item 5)
- The discussion of custody was amended, as the firm is no longer deemed to have custody through its related persons' involvement in private pooled investment vehicles. (Item 15)

The above list includes a description of material changes made to the firm's current Disclosure Brochure (Form ADV Part 2A). Currently, our brochure may be requested by contacting Steve Coker, Chief Financial Officer, at 805-495-4405 or advisor@mfinvest.com. Our brochure is also available free of charge, on our web site, at www.mfinvest.com.

Additional information about Manchester Financial, Inc. is available by accessing the SEC's web site at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Manchester Financial, Inc. who are registered as investment adviser representatives of the firm.

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Item 4. Advisory Business

Manchester Financial, Inc. (“MFI” or “the firm”) is a registered investment adviser that was founded in 1990. MFI was founded by Robert Katch, President and owner, and the firm’s main office is located in Westlake Village, California.

MFI offers portfolio management services to its clients for a fee. MFI also offers limited consulting services to clients who desire advice in an isolated area of concern. Specific details about these advisory services are described below:

Portfolio Management Services

MFI provides individualized investment advice to clients based upon the client’s specific needs. Through personal consultations, MFI gathers a client’s financial data to develop a personalized profile that includes a client’s investment objectives, current financial position, risk profile, investment time horizon, tax situation and liquidity needs. MFI reviews the client’s personalized profile and based upon this review, develops a specific asset allocation strategy for the client. This asset allocation strategy takes into account the size of the client’s portfolio as well as the cost to the client. MFI then implements the recommended asset allocation, and may sell or incorporate a client’s existing holdings as appropriate. MFI provides these portfolio management services on a discretionary basis. Clients may, however, place reasonable restrictions on the types of investments made by MFI.

MFI maintains several, dynamic asset allocation models that may be used to achieve the client’s objectives. While each client account is separately maintained at a third-party custodian and each client retains his or her right of ownership over the account, client accounts with similar risk profiles and objectives may utilize similar investments based on these models.

In some cases, MFI may determine that a client would benefit from a turn-key, third-party asset management program. In these cases, separate offering materials will be provided to clients who choose to utilize the services of a third-party co-advisor to MFI. Such materials disclose the asset management services, fees and termination procedures specific to these asset management programs. Clients should read all offering materials carefully. Clients are under no obligation to engage the services of any third-party asset manager.

Consulting Services

In some cases, clients may choose to engage MFI for more limited consulting services. These services typically involve consultation on a specific or isolated area of concern, such

as an investment allocation for a 401k or 403(b) account. Consulting services will generally not include ongoing portfolio management and will be more limited in focus.

General Information Regarding Investment Advice

For any of the investment advisory services offered by MFI, the firm does not limit its investment recommendations to any specific type of investment vehicle. A client's individual needs and objectives are analyzed to determine appropriate investments for the client. Since different types of investments typically involve different types of risk, the firm conducts a risk analysis of the client and his/her overall portfolio, before making a recommendation. MFI manages assets on a discretionary basis, however, the client is always free to place restrictions on the types of investments the firm recommends for the client's portfolio. In addition, the client may restrict the sale of an asset or specify the purchase of an investment.

MFI generally recommends an investment allocation which may consist of stocks, bonds, mutual funds, closed-end companies, or exchange traded funds. The firm may also periodically recommend and the client may choose to invest in certificate of deposits, annuities, limited partnerships, hedge-funds, or private offerings, including non-publicly traded assets where no readily ascertainable market value exists.

MFI may determine that clients would benefit from access to third-party asset managers, hedge funds, or annuities. Clients will receive separate offering documents from the third-party that explain the services, fees and termination procedures for these third-party programs. Clients should read these offering materials carefully. Use of a third-party as co-advisor to MFI may cost the client more or less than purchasing these services separately.

MFI may recommend that certain qualified investors purchase shares in either RR Ventures Acquisition Fund, I LLC, or RR Ventures Acquisition Fund, II LLC (collectively "the Rice Ranch Funds"). These private offerings are only available to investors that meet certain criteria. Robert Katch and Alan Hopkins, principals of MFI, serve as managing members of the Rice Ranch Funds and may be compensated based on the performance of the funds. See Item 6 below for a complete discussion of this fee arrangement. Thus, a conflict of interest may exist when MFI recommends that clients invest in the Rice Ranch Funds. As a fiduciary, MFI must at all times put its clients' interests first. Any compensation earned by Mr. Katch or Mr. Hopkins as managing members of the Funds is fully disclosed to clients at the time an investment recommendation is made. Recommendations for investment in the Funds are only made when MFI believes it is in its clients' best interest. Clients are free to decline any recommendations for investment in the Funds.

MFI may also provide advice on other investments and services not listed above, as appropriate for the specific client. Clients should be aware that all securities investments involve risk, including the possible loss of all or part of an investment. Clients who elect to

invest in securities must be willing to bear this risk. For this reason, MFI takes extra care to determine an appropriate risk tolerance of its clients. Investment recommendations are made with this risk tolerance in mind.

Assets Under Management

As of December 31, 2011, MFI was providing investment advisory services to 528 clients. The total value of assets under management for which the firm was providing regular and continuous discretionary portfolio management services was \$319,816,331.

Item 5. Fees and Compensation

Portfolio Management Services

The annual management fee for portfolio management services is based on the value of the portfolio as reported by the account custodian on the last business day of the billing period. The fee is generally payable quarterly in advance of services rendered, however, some accounts are billed quarterly in arrears.

Fees are typically debited directly from a client's custodial account, as agreed upon in writing. Clients are responsible for verifying the accuracy of fee calculations, as the custodian of the account does not verify accuracy. In some cases, MFI may allow a client to pay fees directly, upon presentation of an invoice.

If no readily ascertainable market value exists for an investment, the firm will take reasonable steps to identify a reliable, independent approximation of market value. If the underlying issuer provides market value to MFI, the client's custodian, or makes such information publicly available, the firm will rely on the pricing as provided by the issuer. However, if no pricing is provided and no independent source of market value can be readily identified, then the firm will report the investment at the original purchase price, as agreed upon in writing by the client.

The annual fee percentage is determined at contract initiation and is generally based on the following fee schedule:

<u>Annual Fee</u>	<u>Initial Account Value</u>
1.25%	Up to \$500,000
1.0%	From \$500,000 to \$1,000,000
.95%	From \$1,000,000 to \$2,000,000
.90%	From \$2,000,000 to \$3,000,000

.85%	From \$3,000,000 to \$4,000,000
.80%	From \$4,000,000 to \$5,000,000
.75%	From \$5,000,000 and above

The portfolio management fee is exclusive of all transaction costs, which a client will incur separately. Clients are responsible for paying all execution and/or transaction costs associated with trade execution and/or account custody. If funds are purchased, clients should refer to the prospectus for a complete discussion of the fees associated with the investment. Portfolio management fees are negotiable at the sole discretion of MFI and fees may be higher or lower than fees charged by other investment advisors.

As discussed in Item 4 above, Robert Katch and Alan Hopkins, principals of MFI, may recommend that clients invest in certain private offerings for which they serve as managing members (the Rice Ranch Funds). MFI may waive asset management fees for investments in the Rice Ranch Funds. Robert Katch and Alan Hopkins will be compensated as managing members of the Rice Ranch Funds after specific target performance levels have been reached. In addition, Robert Katch and Alan Hopkins are eligible for reimbursement of reasonable expenses incurred on behalf of the Rich Ranch Funds. Clients should refer to the offering materials for a complete discussion of the fees and distributions associated with these private offerings.

Consulting Services

Investment advisory services provided on a more limited basis are billed according to an hourly fee schedule. MFI's current hourly rates range from \$150 to \$300, depending on the type of consulting services provided and the complexity of the client's situation. Clients are presented with an invoice detailing the hours expended and the total fee due.

General Information Regarding Fees and Account Termination

All fees charged by MFI for investment advisory services are separate and distinct from the fees and expenses charged by account custodians or investment funds. MFI will not charge any advisory fees on the basis of a share of capital gains or capital appreciation of a client's account, except in the case of investments in the Rice Ranch Funds. As discussed above, clients are responsible for paying all execution and/or transaction costs associated with trade execution and/or account custody. Clients should refer to each prospectus for a complete discussion of the fees associated with specific investments, including any management fees or fund expenses. MFI does not receive sales commissions from any mutual fund investment recommended to clients.

Portfolio Management Agreements may be canceled by either party at any time by written notice. If the agreement is canceled within the first five (5) business days after the signing of the agreement, the client is entitled to a full refund of portfolio management fees paid in advance. After the first five (5) business days, clients are assessed pro-rata fees and any unearned fees paid in advance are refunded to the client.

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

MFI does not generally charge performance-based fees for its portfolio management services. If qualified clients invest in the privately offered Rice Ranch Funds described above, Robert Katch and Alan Hopkins will be entitled to a distribution from the Rice Ranch Funds after specific investor distributions have been achieved. This is considered a performance fee under Rule 205 of the Investment Advisers Act of 1940. Performance-based compensation arrangements entitle investment advisers to compensation based on investment performance. Registered funds and privately offered funds usually have different fee structures – particularly with respect to performance-based fees. Performance based fee arrangements may create a conflict of interest in that a firm may have an incentive to recommend investments that may be riskier or more speculative than investments subject to a different fee arrangement. As a fiduciary, however, MFI endeavors to put client interests first and only recommends investments in private offerings when the firm believes it is in the client's best interest to do so.

In some cases, clients will be charged a performance based fee on investments in the Rice Ranch Funds. The firm's compensation may be higher than it would otherwise have been, because the fee will be based on account performance instead of only on a percentage of assets under management. MFI has procedures in place to ensure that clients who are subject to a performance based fee arrangement are treated fairly. Performance-based fee arrangements comply with the requirements of Rule 205-3 promulgated under the Investment Advisers Act of 1940, or other applicable exemptions under Section 205(b) of such Act, and with applicable state laws, rules and regulations.

Item 7. Types of Clients

MFI provides investment advisory services to individuals, high-net worth individuals, pension and profit sharing plans, corporations or other businesses, trust, estates and charitable organizations. MFI typically provides its portfolio management services to clients who have at least \$500,000 of assets under management. Family or related

accounts may be aggregated to reach this minimum asset threshold. This minimum may also be waived at MFI's sole discretion.

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

MFI requires certain licensing standards as well as a certain level of business experience for giving investment advice to clients. For example, all advisors must be professionals with relevant industry experience in order to adequately demonstrate a certain level of expertise in securities management and analysis. MFI requires that all investment adviser representatives maintain the minimum licensing qualifications in accordance with all federal, state, and self-regulatory organization (SRO) rules and regulations. Additionally, investment adviser representatives must possess a college education, preferably a graduate degree. Each must also have a strong background in Investments, Finance, Economics, or Accounting.

MFI uses various methods of analysis in formulating the investment advice offered on behalf of the firm. MFI takes a holistic approach to evaluate an overall portfolio strategy and asset allocation that meets a client's needs and objectives. Rather than focusing on specific investments, MFI identifies an appropriate ratio of securities, fixed income investments, cash and other investments, to build a portfolio that is suitable for a client's investment needs, objectives and risk tolerance. Portfolios are typically made up of various mutual funds and may also include other investment as appropriate for the client.

MFI conducts its research on the investments it recommends using publicly available performance information. MFI also may conduct corporate inspections and attend due diligence meetings presented by investment sponsors or issuers. MFI utilizes Morningstar and other research services to research and evaluate investments. MFI evaluates the experience and track record of portfolio managers to determine whether a manager has demonstrated the ability to manage assets under varying economic situations. MFI also evaluates the underlying investments in a fund, to determine whether the manager invests in a manner that is consistent with the fund's investment objective. A risk associated with this type of analysis is that past performance is not a guarantee of future results. While a manager may have demonstrated a certain level of success in past economic times, he or she may not be able to replicate that success in future markets. In addition, just because a manager may have invested in a certain manner in past years, such manager may deviate from his/her strategy in future years. To mitigate this risk, MFI attempts to select investments from companies with proven track records that have demonstrated a consistent level of performance and success. MFI also relies on an assumption that the rating agencies it uses to evaluate investments are providing accurate and unbiased analy

MFI uses investment management strategies that it feels best meet its clients' needs and objectives. Such strategies typically include long-term investment strategies of asset allocation and diversification, but may also include short-term trading strategies where appropriate. While this strategy typically meets the needs and objectives of the firm's clients, long-term investment strategies may include the risk of not taking advantage of short-term gains that could be profitable to a client, and short-term strategies may involve more market risk.

Where appropriate for a given client, MFI may, on rare occasion, recommend the use of margin as a cash management strategy. Accounts utilizing margin strategies may be subject to additional risk since investors may lose more than they invest. Use of margin may also require clients to make additional deposits to accounts in order to cover market losses. Investors should carefully consider whether their tolerance for risk supports use of margin. All securities investments involve risk and clients may lose all or part of their investment. Clients who elect to invest in securities must be willing to bear this risk. For this reason, MFI takes extra care to determine an appropriate risk tolerance of its clients. Investment recommendations are made with this risk tolerance in mind.

Item 9. Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of MFI or the integrity of MFI's management. MFI has no reportable information applicable to this Item.

Item 10. Other Financial Industry Activities and Affiliations

As discussed previously in Items 4 and 5 above, Robert Katch and Alan Hopkins, principals of MFI, are managing members of RR Ventures Acquisition Fund I, LLC and RR Ventures Acquisition Fund II, LLC ("the Funds"). The Funds will acquire an interest in Rice Ranch Ventures, LLC, the ownership entity of Rice Ranch. Investment funds from the Funds will also be used to provide capital for the pay down and carry of the Rice Ranch Acquisition and Development Loan. Mr. Katch and/or Mr. Hopkins may recommend that certain qualified MFI clients make investments in the Funds. This presents a potential conflict of interest in that Mr. Katch and Mr. Hopkins have a financial incentive to recommend investments in the Funds as managing members. Clients are under no obligation to purchase shares in the Funds or make any investment recommended by either Mr. Katch or Mr. Hopkins. If clients choose to invest in the Funds, they will receive specific offering materials that explain all risks, fees and expenses associated with the Funds. The offering

materials also explain the compensation that Mr. Katch and Mr. Hopkins will receive as managing members. Clients should read all offering materials carefully, to make informed decisions about potential investments in the Funds.

Alan Hopkins, principal of MFI, is also licensed to sell various insurance products for which he may receive product commissions. The potential for this additional insurance compensation creates a conflict of interest when MFI makes recommendations that involve insurance products for which commissions may be earned. MFI makes insurance product recommendations when it feels it is in the client's best interest, based on the specific needs and objectives of the client. The potential for additional compensation is not a criterion on which these recommendations are based.

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

MFI has adopted a Code of Ethics to promote the principles of honesty and integrity in its business practices, and to maintain MFI's reputation as a firm that operates with the highest level of professionalism. MFI recognizes its fiduciary responsibilities to its clients, and its duty and pledge to place clients' interests first and foremost. In connection with this duty, all employees of MFI are subject to the firm's Code of Ethics, and are required to acknowledge their understanding of its terms. A copy of the MFI Code of Ethics will be provided to any client or prospective client upon request.

MFI's Code of Ethics establishes procedures for control employees to report personal securities transactions and personal securities holdings. The Code sets forth procedures for management review of these reports. In some cases, MFI's employees may be required to obtain pre-approval for certain personal securities transactions or refrain from certain transactions altogether. MFI's Code of Ethics also sets forth the obligation of all MFI employees to comply with applicable state and federal securities laws, and the duty to cooperate in any investigation or inquiry conducted on or by MFI. Finally, MFI's Code of Ethics establishes procedures for the reporting of any potential violation of the firm's Code.

MFI provides advice to many clients and may implement similar or opposing transactions for clients or related accounts of the firm. MFI or its owners, officers and employees may buy or sell securities that are the same or different than those they recommend to clients. While buying or selling the same security as a client would be incidental, it may represent a potential conflict of interest. MFI, its owners, officers and employees are prohibited from trading on material nonpublic information. MFI does not trade ahead of clients, but instead puts clients' interests first. Employees may not purchase or sell any security prior to a transaction being implemented for an advisory client, unless the timing of such transaction

was done without the employee's knowledge of a client's transaction. MFI endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the decision making process for client investment recommendations. MFI also endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the implementation of investment recommendations made to clients.

MFI prohibits its owners, officers, and employees from participating in any principal transactions, where securities are purchased directly from, or sold directly to a client. MFI also prohibits its owners, officers and employees from purchasing shares in initial public offerings or private placement offerings recommended to clients, unless express written permission is provided in advance by the firm's Chief Compliance Officer. In some cases, MFI, its owners, officers and employees, may recommend to clients that they buy or sell securities in which a person associated with MFI has a material financial interest. Such financial interest would be fully disclosed to the client at the time of the investment recommendation. See disclosure provided for Item 10 above.

Item 12. Brokerage Practices

For portfolio management services, MFI generally recommends the brokerage and custodial services of Charles Schwab & Co, Inc. ("Schwab"), and may also recommend the custodial services of SEI Private Trust Company ("SEI") or other unaffiliated custodians. Clients must agree in writing to the establishment of any custodial accounts. MFI will determine which custodian to use for account custody and trade execution unlike other advisors who may permit clients to direct brokerage to any firm of their choice. While MFI cannot guarantee that the execution services provided by the above referenced firms are the best executions available, MFI believes that that the overall quality of execution services provided by these firms is in the clients' best interests.

MFI provides portfolio management services on a discretionary basis, with limited power of attorney to execute transactions on behalf of the client. Clients are generally free to place reasonable restrictions on the types of investments recommended by MFI. Transactions executed by these firms will be subject to the transaction and commission fee schedule in effect at the time of execution. Therefore, brokerage and investment advisory services offered by MFI may cost a client more or less than similar investment advisory services offered by another firm, or by purchasing similar services separately.

Through its brokerage and custodial relationships, MFI has access to free research, software, account administrative support, record keeping, brokerage, custodial and other related services that are intended to support advisers in conducting an investment advisory business. MFI also has access to an extensive list of investment offerings from

which client recommendations can be made, and has the ability to execute mutual fund transactions without transaction charges or with nominal transaction charges. MFI also has receives access to proprietary data-exchange software programs which provide MFI with software downloads of daily transactions, balance and position information on client accounts. The provision of these additional services may present a conflict of interest in that MFI may be incented to recommend the custodial and brokerage services of custodians providing these services. However, receipt of these services is not dependent upon any level of trade execution and MFI uses these services to benefit all client accounts, whether or not a client has chosen to custody assets at a particular custodian. As a fiduciary, MFI endeavors to seek qualitative execution services for its clients, regardless of the provision of these additional services.

MFI may receive client referrals from Charles Schwab & Co., Inc. ("Schwab") through participation in the Schwab Advisor Network (the "Network"). The Network is designed to help investors find an independent investment adviser. Schwab is an unaffiliated registered broker/dealer that does not supervise MFI or take any responsibility for the advisory services provided by MFI. MFI pays Schwab a participation fee on all referred client's accounts that are maintained in custody at Schwab and a non-Schwab custody fee on all referred accounts that are maintained at, or transferred to, another custodian. The participation fee paid by MFI is a percentage of the fees the client owes to MFI or a percentage of the value of the assets in the client's account, subject to a minimum participation fee. MFI pays Schwab the participation fee for as long as the referred account remains in custody at Schwab. If a referred client account is not maintained by Schwab, MFI will pay Schwab a one-time non-Schwab custody fee equal to a percentage of the assets placed with the custodian other than Schwab (unless the decision to transfer assets from Schwab lies solely with the client). The non-Schwab custody fee is higher than the participation fee and thus MFI has an incentive to recommend that client accounts remain in custody at Schwab. MFI does not charge clients for the participation fee and the participation fee is paid by MFI not the client. Clients referred through the Network will be subject to the normal and customary MFI fee schedule. Receipt of these referrals may present a conflict of interest in that MFI is incented to recommend the custodial services of Schwab. MFI believes the quality of the custodial services provided by Schwab are in its clients' best interest and the receipt of these referrals is not the basis for recommending that clients custody assets at Schwab.

When executing securities transactions, MFI may aggregate or "block" trades when it feels it is advantageous to clients to do so. Shares will be allocated on an average price basis pursuant to the firm's trade allocation procedures. Clients will pay standard transaction and commission costs pursuant to the account agreement with the custodian.

MFI may accept reimbursement for marketing costs, such as expenses related to meetings held by, or attended by MFI associates. Such costs may be associated with “due diligence” or training trips that allow MFI to better analyze a company and/or investment manager. The acceptance of reimbursement will not be contingent upon any commitment by MFI to place client assets with a product sponsor or investment manager, and will not influence MFI’s decision to select a product or investment manager for its clients, other than to allow MFI’s associated persons an opportunity to gain further knowledge.

Item 13. Review of Accounts

Portfolio management accounts are continuously monitored by MFI personnel. The firm receives daily downloads from account custodians and data is posted to MFI’s account management software. Accounts are reviewed in light of the client’s specific needs, goals, objectives, asset mix and overall market conditions. Periodic client meetings in person or via the telephone are at the client’s discretion. Accounts are compared against general market conditions and relevant industry benchmark indicators to monitor account performance in light of the client’s investment objectives. All clients will receive normal and customary brokerage or custodial statements, which they should compare against any information provided by MFI. Statements should be reviewed carefully.

Consulting services clients will not receive regular reports from MFI and accounts are not regularly reviewed. Any written reports or account reviews will be agreed upon at the inception of the consulting services relationship.

Item 14. Client Referrals and Other Compensation

As discussed in Item 12 above, MFI may receive client referrals from Charles Schwab & Co., Inc. (“Schwab”) through participation in the Schwab Advisor Network (the “Network”). The Network is designed to help investors find an independent investment adviser. Schwab is an unaffiliated registered broker/dealer that does not supervise MFI or take any responsibility for the advisory services provided by MFI. MFI pays Schwab a participation fee on all referred client’s accounts that are maintained in custody at Schwab and a non-Schwab custody fee on all referred accounts that are maintained at, or transferred to, another custodian. The participation fee paid by MFI is a percentage of the fees the client owes to MFI or a percentage of the value of the assets in the client’s account, subject to a minimum participation fee. MFI pays Schwab the participation fee for as long as the referred account remains in custody at Schwab. If a referred client account is not maintained by Schwab, MFI will pay Schwab a one-time non-Schwab custody fee equal to a

percentage of the assets placed with the custodian other than Schwab (unless the decision to transfer assets from Schwab lies solely with the client). The non-Schwab custody fee is higher than the participation fee and thus MFI has an incentive to recommend that client accounts remain in custody at Schwab. MFI does not charge clients for the participation fee and the participation fee is paid by MFI not the client. Clients referred through the Network will be subject to the normal and customary MFI fee schedule.

If MFI make recommendations to clients for the purchase of insurance products, clients may pay a normal and customary insurance commission for the purchase of the product. In these cases, Alan Hopkins may receive commission as an insurance agent, generally based upon a percentage of the premiums paid. Such insurance commission is paid directly to Mr. Hopkins from the issuer of the insurance product. MFI makes this service available to clients simply as a convenience to clients. Clients are not obligated to purchase any insurance products. The receipt of additional compensation presents a conflict of interest in that MFI and Mr. Hopkins may be induced to recommend that clients purchase insurance. While this may be true, MFI and Mr. Hopkins endeavor at all times to act in the best interests of their clients, and recommendations to purchase insurance are only made when they feel it is in the best interest of a client.

MFI may, from time to time, accept reimbursement for costs associated with on-site inspections of product sponsors or investment managers to which clients' assets may or may not be directed. Such costs will be associated with "due diligence" trips that allow associated persons of MFI to better analyze a company and/or investment manager. The acceptance of reimbursement will not be contingent upon any commitment by MFI to place client assets with a product sponsor or investment manager, and will not influence MFI's decision to select a product or investment manager for its clients, other than to allow MFI's associated persons an opportunity to gain further knowledge.

Item 15. Custody

MFI does not maintain custody of client funds or securities, except to the extent that it has the ability to debit advisory fees directly from client accounts, as agreed to in writing by the client. For assets held at qualified custodians, clients will receive normal and customary account statements at least quarterly. Clients are encouraged to review these statements carefully and compare any information provided by MFI in performance or other reports. Clients, not custodians, are responsible for verifying the accuracy of fees debited from an account.

Item 16. Investment Discretion

MFI generally accepts discretionary authority to manage securities accounts on behalf of clients, upon express written permission from the client. Clients will execute required custodial applications granting discretion to MFI. Clients will also execute discretionary portfolio management agreements.

Item 17. Voting Client Securities

MFI does not accept authority to vote client securities on behalf of clients. Clients retain all rights to their brokerage accounts, including the right to vote proxies. Clients are responsible for directing each custodian of their assets to forward copies of all proxies and shareholder communications directly to the client. If requested by the client, MFI may provide information or consultation to assist a client in deciding how to vote a particular security, the ultimate decision and responsibility to vote a security lies with the client.

Item 18. Financial Information

MFI does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. MFI has not been the subject of any bankruptcy petition.

MFI is not required to include a financial statement or balance sheet with this brochure since it does not require or solicit prepayment of more than \$1,200 in advisory fees more than six months in advance of services rendered.

Privacy Policy

MFI maintains a specific Privacy Policy that is distributed to each client at the time an account is opened and annually thereafter. MFI collects nonpublic information about clients from the following sources: information the firm receives from clients verbally, on applications or other forms and information about client transactions with others or the firm.

MFI may have to share non-public client information with unaffiliated firms in order to service client accounts. Additionally, MFI may have to provide information about clients to regulatory agencies as required by law. Otherwise, MFI will not disclose any client

information to an unaffiliated entity unless a client has given express permission for the firm to do so.

MFI is committed to protecting client privacy. The firm restricts access to clients' personal and account information to those employees who need to know the information. MFI also maintains physical, electronic and procedural safeguards that the firm believes comply with Federal standards to protect against threats to the safety and integrity of client records and information.