

**Wealth Link**  
A Division of Leonard & Company

Re: Summary of Material Changes to Brochure and Offer to Provide

Since the inception of our brochure, dated March 31, 2011, there has been one material change as summarized below:

- ❖ On September 11, 2011, we entered into a settlement with FINRA. Without admitting or denying FINRA's allegations, we agreed to resolve concerns under NASD rules regarding the reporting of trades to FINRA and the calculation of deferred sales charges for certain mutual fund clients after we converted to RBC in 2008. We were censured and fined as part of the settlement.

Pursuant to the requirements of SEC Rule 204-3 under the Investment Advisers Act of 1940, as amended, Leonard & Company will provide you a complete copy of the brochure - also known as Part 2A of our Form ADV - which contains information about our background, services, and business practices, upon a written request forwarded to the following address:

*Wealth Link*  
*A Division of Leonard & Company*  
*Attn: Compliance Department*  
*1450 W. Long Lake Rd Suite 150. Troy, MI 48098*

Please include your name and address, and Leonard & company will promptly mail this document to you, at no charge.

We are committed to offering you the highest level of service, and we appreciate the confidence you've placed in our firm.

**Wealthlink**  
A Division of Leonard & Company



## **Wealth Link**

**A Division of Leonard & Company**

**1450 W. Long Lake Road, Suite 150**

**Troy, MI 48098**

**(248) 952-5858**

**[www.wealthlinkllc.com](http://www.wealthlinkllc.com)**

**March 1, 2012**

This brochure provides information about the qualifications and business practices of the Wealth Link division Leonard & Company. If you have any questions about the contents of this brochure, please contact us at (248) 952-5858 or [jmason@leonardandcompany.com](mailto:jmason@leonardandcompany.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.

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

## **SUMMARY OF MATERIAL CHANGES**

This section summarizes material changes that have been made to our brochure since the date of its last version.

Since the inception of our brochure, dated March 31, 2011, there has been one material change as summarized below:

- ❖ On September 11, 2011, we entered into a settlement with FINRA. Without admitting or denying FINRA's allegations, we agreed to resolve concerns under NASD rules regarding the reporting of trades to FINRA and the calculation of deferred sales charges for certain mutual fund clients after we converted to RBC in 2008. We were censured and fined as part of the settlement.

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## INTRODUCTION

In this brochure, references to “we,” “us,” “our,” or “our firm” refer to Leonard & Company, including our operating “divisions.” Our divisions include Wealth Link, Strategic Asset Advisors, and The Agbay Group. We have disclosure brochures for each of them as well as for Leonard & Company available upon request. This brochure pertains primarily to our Wealth Link division, sometimes referred to as “this division” or “Wealth Link.” Our firm as a whole or other divisions are sometimes referenced by name. Individuals who serve as our directors, officers, and employees are referred to as our “representatives.” Our firm’s clients and prospective clients are referred to as “you,” “your,” or “our clients.”

## ADVISORY BUSINESS

### OUR FIRM

Leonard & Company was incorporated in Michigan in 1989, by the late Donald M. Leonard, as a Michigan-based regional independent investment brokerage firm registered with the Financial Industry Regulatory Authority (FINRA) and member of the Securities Investor Protection Corporation (SIPC). In 1995 Leonard & Company became registered with the SEC, as an investment advisory firm, offering a full array of portfolio management services to retail and institutional investors. Headquartered in Troy, we have multiple offices in Michigan, with additional offices in Florida and New York.

Leonard & Company is a privately held corporation owned by Leonard-French Holdings, Inc. Under “**DISCIPLINARY INFORMATION**” below is a summary of certain legacy matters involving us and our regulators in the past.

Wealth Link operates as a division of Leonard & Company. Members of Wealth Link are Registered Representatives and/or Investment Advisor Representatives of Leonard & Company. As an operating division of Leonard & Company, they are an integral part of the firm and are not separately registered as investment advisers or broker-dealers. Our clients do not enter agreements with, or pay fees to, this division. All agreements are with, and fees are paid to, Leonard & Company.

### OUR ADVISORY SERVICES

We provide comprehensive financial planning and investment management to successful individuals along three core elements: goal driven investing, strategic tax and estate planning, and comprehensive risk management. Using written financial plans as our foundation, we strive to provide comprehensive financial planning services that include, but are not limited to, the

following: investment planning, retirement planning, wealth management, estate preservation, and family legacy planning.

### ***Financial Planning***

Our financial planning services include furnishing financial and investment advice, recommending the purchase and sale of securities, or assisting in selecting and monitoring unaffiliated investment managers. If you choose to use our financial planning services, we will ask you to sign our Financial Planning and Consulting Agreement. We will provide you with a formal, written, and comprehensive plan designed around your specific goals and objectives, financial and investment situation, and risk tolerance. We may also request additional information such as investment history, family background information, or other such information that may be important for us to know about regarding your overall circumstances. We want to take into full consideration your current financial situation, such as the composition of your assets, liabilities, and investments by type and quality, as well as any strategic concerns such as an impending retirement or other significant life-style change. The goal of this process is to develop a clear understanding of your risk tolerance and investment objectives to develop a plan tailored to your needs. The following is a list of areas that we are able to advise you on with respect to financial planning:

1. Financial Analysis
  - a. Assets and Liabilities
  - b. Income and Expenses
  - c. Debt Management
2. Protection Planning
  - a. Disability Income
  - b. Survivor Income
  - c. Long Term Care
3. Investment Planning
  - a. Asset Allocation
  - b. Accumulation Goals
  - c. Education Planning
4. Income Tax Planning
  - a. Current and Proposed Analysis
  - b. Business Owner Concerns
5. Retirement Planning
  - a. Income and Expenses
  - b. Lump Sum Distribution Analysis
  - c. Business Owner Concerns

6. Estate Planning
  - a. Distribution Goals
  - b. Taxation Issues
  - c. Business Owner Concerns
  - d. Trust Funding Services

The specific financial planning services and fees applicable to you will be described in our Financial Planning and Consulting Agreement that we will ask you to review and sign prior to engaging us. For financial planning services, you can choose a modular approach by focusing on a particular area or a broader financial review that covers multiple topics. This means that you can work with us on a short-term, project retainer basis without using our investment management services. After analysis and evaluation of your situation, we will present you with a written report that summarizes the findings, potential decision points, possible strategies (including their pros and cons), recommended course, and action items.

After the report presentation meeting, there is a follow-up period before the project formally concludes. After that, you determine when to return for periodic updates or check-ups on a specific part or on the entire plan.

### **Investment Management Services – Leonard Elite Asset Management Program**

Our investment management services through the Leonard Elite Asset Management Program are those in which we actively manage your investment portfolio based upon your individual financial and personal needs. We gather information through in-depth personal interviews with you. This may include one or more in-person meetings and/or telephone calls. We may gather information that includes, but is not limited to, your current financial position, future goals, and attitudes toward risk and investment objectives. We ask you to fill out a client profile questionnaire that we will carefully review, along with all other documentation you supply. Because we only rely upon, and do not independently verify, the information you provide us, we need you to update information whenever it changes. Based on the information you provide, we will develop an asset allocation plan or investment strategy. An asset allocation plan is a personalized strategy that we develop to help us choose among various kinds of investments. Investments may include equity securities (stocks), warrants, corporate debt securities (bonds and notes), certificates of deposit, municipal securities, investment company securities (mutual funds), exchange-traded funds, United States government securities, option contracts, and interests in real estate partnerships. If appropriate, we may allocate your investments in accordance with our model portfolios. A model portfolio is how we communicate to you what specific investments you should have in your portfolio at any given time. When one of our investment strategies recommends a change, the model portfolio for that strategy will reflect that change. To get started using any of our investment supervisory services, we request that you sign our Investment Management Agreement.

### ***Leonard Elite Asset Management Program – Wrap Fee Account***

In conjunction with our investment management services, we offer a wrap fee program called the Leonard Elite Asset Management Program (LEAP) wrap account whereby our investment adviser representative will manage your assets within a brokerage account for a single fee that includes portfolio management services, reporting, and transaction costs. Under the LEAP account, we offer investment advice designed to assist you with professional management of your investments for a convenient single “wrap fee.” More information about the Program is available in our LEAP Account Disclosure Wrap Fee Brochure.

#### **ASSETS UNDER MANAGEMENT**

We manage your assets on either a discretionary or nondiscretionary basis. As of February 29, 2012, we had \$240,291,352.00 in client assets managed on a discretionary basis and \$ 1,556,057.00 in client assets managed on a non-discretionary basis.

### **FEES AND COMPENSATION**

#### **LEONARD & CO. INVESTMENT MANAGEMENT FEE SCHEDULE**

Our investment management fees for the Leonard Elite Asset Management Program account are based on a percentage of the account value as reported by your broker or other qualified custodian. We bill fees quarterly in advance during the first month of each calendar quarter (January, April, July, and October). The first billing cycle begins on the account inception date and is based on the account value on the inception date as determined by your broker-dealer or other qualified custodian. We prorate the fee for new accounts based on the number of days remaining in the calendar quarter. The quarterly billing value is equal to the closing market value of the account on the last business day of the quarter. Fees are based on actual number of days in the quarter.

In certain circumstances, we may negotiate fees based on the aggregate value of related accounts, the complexity of the account, or similar factors. We will specify the amount and the manner in which we charge fees in our written agreement with you. Generally, our standard fees are as follows:



<u>Total Account Value</u>	<u>Annual Fee</u>
\$10,000 - \$249,999	3.0%
\$250,000 - \$499,999	2.5%
\$500,000 - \$749,999	2.0%
\$750,000 - \$999,999	1.5%
\$1,000,000 - \$1,499,999	1.25%
\$1,500,000 - \$1,999,999	1.0%
Amount over \$2,000,000	Negotiable

You may choose to be billed directly for fees or to authorize us to directly deduct fees from your account. Generally, our clients authorize us under the Investment Management Agreement to directly deduct our fees from the account. If you provide us such authorization, the custodian's periodic statements will show each fee deduction from your account. You may withdraw this authorization for direct billing of these fees at any time by notifying us or your custodian in writing.

You may terminate our Investment Management Agreement without penalty at any time by written notice. Since we bill investment management fees quarterly in advance, if you terminate our agreement, we will return a prorated amount of the unearned fee to you.

In addition to our advisory fees, you may incur brokerage commissions, ticket charges, transaction fees, and other related costs and expenses. You may also incur certain charges imposed by custodians, brokers, third-party investment managers, and other third-parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

## **FINANCIAL PLANNING AND CONSULTING FEES**

We will prepare a quoted rate for a comprehensive financial plan, ranging from \$500 to \$5,000, or on an hourly rate ranging from \$150 to \$300, based on the complexity of the project and the representative's seniority performing the services.

In our discretion, we may waive or offset a portion or all of the financial planning fees if you choose to implement your financial plan using our investment management services. We reserve the right to determine whether the financial planning and/or consulting fees will be waived or offset by a portion of advisory fees earned in the implementation process. The scope and complexity of the financial planning services that were provided will determine the amount of the waiver or the offset of the fee.

## **ADVISORY FEE OFF-SETS**

As described in more detail below, most of our advisory representatives are also broker-dealer registered representatives and licensed insurance agents who sell variable annuities.

From time to time, we may recommend that clients purchase a variable annuity. In that case, if we are paid a commission on the investment, we will not charge an asset based advisory fee on that investment. By giving you the benefit of this advisory fee off-set, we seek to mitigate the conflict of interest created by our receipt of these commissions.

## **OTHER FEES AND EXPENSES**

Mutual funds, index funds, and exchange-traded funds of all types charge their shareholders various advisory fees and expenses associated with the establishment and operation of the funds. Each fund's prospectus describes these fees and expenses, which generally include a management fee, shareholder servicing, portfolio transaction costs, other fund expenses, and sometimes a distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge. These separate mutual fund fees are disclosed in each fund's current prospectus, which is available from the mutual fund and, upon request, from us.

Consequently, for any type of mutual fund investment, it is important for you to understand that you are directly, and indirectly, paying two levels of advisory fees and expenses: one layer of fees at the fund level and one layer of advisory fees and expenses to us. Generally speaking, most mutual funds may be purchased directly, without using our services and incurring our advisory fees. Many mutual funds also pay shareholder servicing fees (12b-1 fees) to brokerage firms and their registered representatives in consideration of their services to the fund's shareholders. As noted below, our principals and representatives are also registered representatives and may receive this type of compensation with respect to clients who invest in these funds. While this creates a conflict of interest, we believe it is mitigated by generally recommending funds with no upfront or no deferred sales charges. Additionally, due to regulations under the Employee Retirement Income Security Act of 1974, 12b-1 fees are refunded to the qualified retirement accounts and not received by the custodian/broker-dealer or the registered representative.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets).

## **TYPES OF CLIENTS**

Our investment management and financial planning services are available to individuals, high net worth individuals, pension and profit-sharing plans, 401(k) plans, trusts, estates, and not-for-profit organizations.

Minimum account size varies by the investment management program you select. Those minimums are described in the “**FEES AND COMPENSATION**” section above. The LEAP wrap fee program may not be available for all investors depending on the amount of activity in your account.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **METHODS OF ANALYSIS**

Fundamental analysis is a technique that attempts to determine a security’s value by focusing on the economic well-being of a financial entity as opposed to only its price movements. When conducting fundamental analysis, we will review a company’s financial statements and consider factors including, but not limited to, whether the company’s revenue is growing, if the company is profitable, if the company is in a strong enough position to beat its competitors in the future, and if the company is able to repay its debts. Because it can take a long time for a company’s value to be reflected in the market, the risk associated with this method of analysis is that a gain is not realized until the stock’s market price rises to the company’s true value.

The valuation method is a technique used to calculate a theoretical value for a security in order to estimate potential future market prices. When utilizing the valuation method, we will review such things as a security’s earnings per share, price to earnings, and growth rate.

We also utilize technical analysis to evaluate potential investments. Unlike fundamental analysis, technical analysis does not analyze the company’s value, but instead analyzes the stock’s price movement in the market. Charting is a form of technical analysis in which the various technical factors are diagrammed in order to illustrate patterns. Technical analysis studies the supply and demand in the market in an attempt to determine what direction, or trend, will continue in the future. However, there are risks involved with this method, including the risk that the trends will change unpredictably, which is why we use a combination of methods and obtain information from a variety of sources.

We obtain information from a number of sources, both public and by subscription, including financial newspapers and magazines, inspections of corporate activities, research materials prepared by third-parties, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases. We believe these resources for information are reliable and we regularly depend on them for making our investment decisions; however, we are not responsible for the accuracy or completeness of this information.

## INVESTMENT STRATEGIES

Three factors determine the foundation for making investment decisions: a) the development and implementation of a financial plan which illustrates the investor's time-horizon, b) risk tolerance, and c) taxation of the investment portfolio. Academic research suggests that the decision as to how to allocate total assets among various asset classes will far outweigh security selection and other decisions which impact portfolio performance. With that in mind, we generally allocate between 50% and 80% of a client portfolio in an actively managed portfolio of mutual funds utilizing an asset allocation model that is consistent with the client's risk tolerance and investment time-horizon.

Based on client preferences, the balance of the portfolio, 20%-50%, we generally invest in mutual funds, exchange traded funds and/or individual stocks. One of our goals is to involve clients in the investment process therefore some of these decisions will be based on the client's desire to participate. For example, a client may express interest in certain individual securities or non-traditional asset classes and we may incorporate those investment(s) into the client's portfolio. We may allocate anywhere from 0%-20% of a client's portfolio based on our mutual decisions. A portion of the portfolio, typically between 20%-30%, we may invest in alternative asset categories including; precious metals, market neutral strategies, mergers and acquisitions, foreign currencies and real estate investment trusts. We use various mutual funds and exchange traded funds (ETFs) that are highly correlated to these alternative asset categories and design them to bring an additional element of diversification to client portfolios. We chose alternative asset classes because, generally speaking, their lack of correlation with other types of investments may help increase or stabilize portfolio returns. That is, when one asset category is performing poorly then another asset class may be performing well. Diversification alone can neither guarantee a profit for the client nor can it ensure against a loss.

How do we select specific investments? After selecting the asset categories that will comprise a client portfolio, we use the following criteria to determine which mutual fund managers or separate account managers will be selected:

- Past risk-adjusted performance and expense ratios relative to other separate account and mutual funds within the same asset class having similar investment objectives.
- For exchange-traded funds, we will evaluate additional measurements such as tracking error, liquidity and trading volume.
- The historical volatility and down-side risk of each proposed investment.
- Consistency of investment style and portfolio manager tenure.
- How each respective account or fund complements each other inside the client's overall portfolio.
- Determine if there is significant overlap with investments held outside of the client's account.

After we construct the portfolio, we will review the allocations with the client not less than twice per calendar year. Over time, the price movement of the markets causes the asset

classes to vary from the established target allocation. Each year, we will consider whether to rebalance the portfolio back to the target allocation percentages. Rebalancing maintains the portfolio at the client's previously agreed upon risk/reward levels. We and the client determine together which asset classes to rebalance. Prior to rebalancing, we consider whether there may be any tax implications and additional fees. When new money is being added to the portfolio, rebalancing can be accomplished by investing into asset classes requiring additional funds, while the remaining money to be invested will be allocated according to the established target percentages. We recommend that the portfolio be rebalanced at least every 2 years. Rebalancing provides discipline to the portfolio whereby profits are taken from overachieving asset classes (sell high) and reallocated to underachieving asset classes (buy low).

## **TYPES OF INVESTMENTS AND RISK OF LOSS**

Investing in securities involves risk of loss that you should be prepared to bear. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. We will work with you to attempt to identify the balance of risks and rewards that is appropriate and comfortable for you and we will explain and answer any questions you have about these kinds of investments. However, it is still your responsibility to ask questions if you do not fully understand the risks associated with any investment or investment strategy.

Also, while we strive to render our best judgment on your behalf, many economic and market variables beyond our control can affect the performance of your investments and we cannot assure you that your investments will be profitable or assure you that no losses will occur in your investment portfolio. Past performance is one relatively important consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.

International investments may involve risk of capital loss from unfavorable fluctuations in currency exchange rates, differences in generally accepted accounting principles, or economic, or political instability in other nations.

We will discuss with you the investment risks of ETFs, index funds, and international funds to determine the investment objectives that will guide your portfolio selection. We will explain and answer any questions you have about these kinds of investments, which present special considerations such as the following:

### ***Mutual Funds***

We often recommend mutual funds of different kinds to promote portfolio diversification within various asset classes, such as industry sectors, domestic/international, or equities/bonds. We may recommend periodic purchases, sales, and exchanges of those mutual fund shares within mutual fund families and between different mutual fund families, when there are changes in your needs, market conditions, or economic developments.

The different kinds of mutual funds we use each have inherently different risk characteristics and should not necessarily be compared side by side. A bond fund with below-average risk, for example, should not be compared to a stock fund with below average risk. Even though both funds have low risk for their respective categories, stock funds overall have a higher risk/return potential than bond funds.

Of all the asset classes, cash investments (i.e. money markets) offer the greatest price stability, but have yielded the lowest long-term returns. Bonds generally experience more short-term price swings, and, in turn, have generated higher long-term returns. However, stocks historically have been subject to the greatest short-term price fluctuations—and have provided the highest long-term returns.

The risks in any given mutual fund depends on the investments it holds. For example, a bond fund has interest rate risk and income risk. Bond prices are inversely related to interest rates. If interest rates go up, bond prices will go down and vice versa. Bond income is also affected by a change in interest rates. Bond income (yields) is directly related to interest rate changes. If interest rates rise, bond yields rise and vice versa. Income risk is greater for a short-term bond fund than for a long-term bond fund. However, in a long term bond fund, your principal is subject to higher principal risk.

Similarly, a sector stock fund (which invests in a single industry, such as telecommunications) is at risk that its price will decline due to developments in its industry. A stock fund that invests across many industries is more sheltered from this industry related risk. However, while diversification across industries can help reduce your risk of loss from investing in a single sector, it may limit your opportunity for a significant gain if a single industry or sector increases dramatically in value.

With respect to all classes of mutual funds and ETFs, diversification does not protect you from an overall decline the market. You should consider these risks in determining whether to use our services.

### ***Index Funds and Exchange-Traded Funds***

As with virtually all types of securities, an ETF's shares will change in value, and you could lose money by investing in an ETF. An investment in an ETF involves risk similar to those of investing in any fund of equity securities traded on an exchange. An ETF seeks investment results that correspond generally to the price and yield of an index. You should anticipate that the value of an ETF's shares would decline, more or less, in correlation with any decline in the value of its corresponding index. An ETF's return may not match the return of the index. The ETF may invest in small capitalization and mid capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

Sometimes referred to as a “tracking error,” expenses and other factors may affect the performance of an ETF so that the ETF’s performance will not exactly match the performance of their respective underlying indexes.

### ***Individual Stocks and Bonds***

The risks inherent with individual stocks and bonds are similar to those described about mutual funds. However, unlike mutual funds, individual securities carry more risk because of the possible lack of diversification in the event that your portfolio isn’t spread across many industries and companies. An owner of an individual security is subject not only to market risk, but company risk, or “significant event” risk as in the case of bankruptcy, loss of major customers, loss of earnings, or similar factors. Typically, individual securities have more volatility and potential for larger gains and losses. Unlike mutual funds, you face a greater risk of losing your entire investment in an individual stock or bond. We seek to mitigate these risks in the ownership of individual securities by sound research and diversification.

### ***Options***

Where suitable and appropriate for clients, we may engage in a variety of transactions involving options, although they do not represent a primary focus of our investment strategy. Options are derivative financial instruments whose value depend upon, or are derived from, the value of something else, such as a stock or a stock index. Where suitable for certain clients, we may make use of “short” options positions, the values of which move in the opposite direction from the price of the underlying security. We also may use options both for hedging and non-hedging purposes, including as a substitute for a direct investment in the securities of one or more issuers.

However, we may also choose not to use options, based on our evaluation of market conditions or the availability of suitable options contracts.

Options involve special risks and may result in losses. The successful use of options depends on our ability to manage these sophisticated instruments. Some options strategies are “leveraged,” which means that they expose the underlying portfolio to risk of loss greater than the value of the investment in the options. As a result, options may magnify or otherwise increase investment losses to the portfolio. The risk of loss from certain options trading strategies is theoretically unlimited. The prices of options may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions, and may result in increased volatility.

Options are not suitable for all clients. Your advisory representative can answer any questions you may have about options and can provide you with the options disclosure booklet, *Characteristics & Risks of Standardized Options*, upon request.

### ***Variable Annuities***

Variable annuities are highly complex financial products offered by insurance companies. Investment in a variable annuity contract is subject to both general market risk and the insurance company's credit risk. These and other risks are described in the variable annuities' prospectuses. Variable annuities are regulated under both securities and insurance laws and related rules and regulations. Variable annuities offer various benefits and features which may, or may not, have value to you depending on your circumstances, which we can discuss with you. Like other types of investments, commissions are paid for the purchase of variable annuities and there may be substantial surrender charges. These commissions, surrender charges, and other expenses are disclosed in the prospectus.

Like mutual funds, insurance companies charge a variety of fees and charges against the assets invested in the separate accounts of their policy holders. As noted in the "**FEES AND COMPENSATION**" section, this means that there are two layers of advisory fees incurred—one layer by the insurance company and one layer to our firm for our advisory services.

If suitable, we may recommend variable annuities from insurance companies whose products allow us to manage each client's separate accounts (the underlying portfolio) by giving purchase and sell orders with no ticket (transaction) charges, and simultaneously manage multiple clients' accounts, which permits us to more efficiently offer you better service. However, these products are not suitable for all clients in all circumstances and there are substantial costs associated with them, as described in each variable annuity's prospectus. For more information see the "**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**" section below.

## **DISCIPLINARY INFORMATION**

On November 28, 2005, we entered into a settlement with the NASD. Without admitting or denying the NASD's allegations, we agreed to resolve concerns under NASD Rules pertaining to the untimely filings of Rule 3070 reports and amendments to Forms U-4 and U-5. We were censured and fined in the settlement.

On May 7, 2007, we entered into a settlement with the NASD. Without admitting or denying the NASD's allegations, we agreed to resolve concerns under rules of the NASD and Municipal Securities Rulemaking Board (MSRB) regarding reporting certain municipal bond trades to the MSRB within 15 minutes of the time of execution and failing to enforce related procedures. Our firm was censured and fined in the settlement.

We entered into three settlements with the National Association of Securities Dealers, Inc. (NASD), publicly reported on March 20, 2008. Without admitting or denying the NASD's



allegations, we agreed to resolve concerns under the Securities Act of 1933 and NASD Rules pertaining to, among other things, the firm's sale of unregistered preferred stock and promissory notes issued by us and our parent company, including the omission and misrepresentation of certain information in the offering documents for the preferred stock. FINRA also made other allegations concerning the failure to file offering related materials with the NASD and follow its conflict of interest rules; failure by the firm and our former chief compliance officer to have an adequate supervisory system or written supervisory procedures to train representatives in making private placement offerings under federal securities laws and related rules; failure to make timely filings of Forms U-4, U-5, and disclosure event filings under NASD Rule 3070; and failure to file a FINRA application for approval of new branch offices. Our firm was censured and fined in settlements.

On January 12, 2009, we entered into a settlement with the FINRA. Without admitting or denying FINRA's allegations, we agreed to resolve concerns under NASD Rules regarding a customer's sale of an unregistered penny stock and in recommending a penny stock without adequate review. FINRA also alleged that the firm allowed emails to the public without proper disclosures and archival; not having and enforcing an anti-money laundering program to file timely a suspicious activity report about certain transactions; allowing a former chief operating officer to act as a principal prior to re-qualifying as required by a previous settlement; and not maintaining related procedures. As part of this settlement, we hired an independent consultant to assist us in taking corrective actions, including developing better procedures regarding penny stock transactions, disclosures, and due diligence. Our firm was censured and fined in the settlement.

On March 23, 2009, we entered into a settlement with FINRA. Without admitting or denying FINRA's allegations, we agreed to resolve concerns under SEC and FINRA Rules regarding the completion of a self-assessment in 2003 pertaining to breakpoint discounts on certain mutual fund transactions and making untimely refunds of the discounts, maintaining a segregated bank account for customers under SEC Rules, and having adequate procedures to ensure that customers received the benefit of all breakpoint discounts. We were censured and fined in the settlement.

On September 11, 2011, we entered into a settlement with FINRA. Without admitting or denying FINRA's allegations, we agreed to resolve concerns under NASD Rules regarding the reporting of trades to FINRA and the calculation of deferred sales charges for certain mutual fund clients after we converted to RBC in 2008. We were censured and fined as part of the settlement.

Information about these matters is publicly available on the Investment Adviser Public Disclosure website at: <http://www.adviserinfo.sec.gov/>.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **OUR OTHER FINANCIAL INDUSTRY ACTIVITIES**

Besides being registered with the Securities and Exchange Commission (“SEC”) as an investment adviser, we are also registered as a broker-dealer with the SEC, the State of Michigan, and other states. We are a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation. Our principal executive officers and most of our advisory representatives are broker-dealer registered representatives. We, and our broker-dealer registered representatives, are able to effect securities transactions for our clients and will receive separate, customary compensation for effecting securities transactions.

We are also registered, but inactive, with the Commodity Futures Trading Commission and a member of the National Futures Association.

In addition, we are a licensed domestic insurance agency in the State of Michigan, under which we are authorized to engage in the sale of fixed and variable annuities and life insurance. We are also qualified in several states to engage in sales of life insurance and annuities. Most of our advisory representatives are also licensed as insurance agents or brokers of various insurance companies and receive insurance commissions on insurance purchases which we recommend. The additional compensation creates conflicts of interest, which you should consider in engaging our services or the services of our affiliated businesses. Our advisory fee off-set policy, described in the “**FEES AND COMPENSATION**” section above, is intended to mitigate those conflicts. You may always choose a different insurance agent to implement our advice.

Our principal business is to be a broker-dealer engaged in securities transactions on behalf of customers.

From time to time we may enter into agreements with unaffiliated third-party investment advisers to provide our clients with sub advisory services. Under this arrangement, you will receive advisory services from us and discretionary investment management services from the sub advisor selected by us. We compensate the third-party investment adviser from a portion of your advisory fees.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **CODE OF ETHICS**

We have adopted a Code of Ethics (the “Code”) describing the standards of business conduct we expect all officers, directors, employees, and advisory representatives to follow. It expresses our core fundamental values to be honest, fair, and forthright in our dealings with

clients and others in the conduct of our business. Our Code also guides our practices in giving investment advice to our clients and personal trading of securities for our employees and their related accounts. The Code also describes certain reporting requirements with which particular individuals, associated with or employed by us, must comply. You may request a copy of our Code by contacting our Chief Compliance Officer, James Mason at (248) 952-5858.

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

In addition to being registered as an investment adviser, we are a broker-dealer and member of the Financial Industry Regulatory Authority (commonly known as FINRA) and the Securities Investor Protection Corporation (commonly known as SIPC). As such, our principal executive officers and most of our advisory representatives are also broker-dealer registered representatives. We, and our registered representatives, are able to execute buy and sell orders for securities on behalf of our clients. When we do so, we may receive compensation in the form of commissions as a result of placing such orders for clients. You are not under any obligation to use us as a broker-dealer or our registered representatives in that capacity when considering our advisory recommendations.

In addition, we, and our registered representatives may benefit from our, or their purchase or sale of investments that we recommend to you. Our principals and representatives may own or effect transactions in the same securities we recommend to you or our other clients. Generally, these securities will be shares of open-end mutual funds or stocks and bonds actively traded on a national securities exchange or market where the time and size of their purchases or sales will not affect transactions for you or our other clients. However, it is an express policy of our Code of Ethics that no person employed by us may purchase or sell any security on the same day as a solicited or discretionary transaction in an advisory account, unless such transactions are executed on the NYSE, AMEX, or NASDAQ-MMS. Nevertheless, in all cases when your representative trades securities on the same day as you, you will get the best price or the trade will be executed as a block or batched trade (also called an aggregated order). In a batched trade, all orders for accounts are combined in one order. All participants receive identical prices, which prevents such employees (or associated persons) from benefiting from transactions placed on behalf of advisory accounts. For more information on trade aggregation, see the **“BROKERAGE PRACTICES”** section that follows below.

While we generally don't give advice about thinly traded securities, if we recommend the purchase or sale of a thinly traded security to you, we will ensure that our principals' and representatives' transactions do not adversely affect you, nor improperly benefit them, typically by imposing the same day black-out period.

We have these employee securities trading policies in our Code of Ethics to prevent our employees from benefiting from transactions placed on behalf of any client's account. Because

these situations have the potential of raising conflicts of interest, we have established the following trading restrictions:

- Our representatives may not use information available to them because of their employment with us to buy or sell securities for their personal portfolios, unless the information is also available to the investing public upon reasonable inquiry. A representative shall not favor his or her interests above your interests.
- We inform you that our representatives may receive separate compensation when implementing our financial plans.
- We require our representatives to act in accordance with all applicable federal and state regulations that govern investment advisers and broker-dealers.

A representative who violates these restrictions may be subject disciplinary action, up to and including termination.

## **BROKERAGE PRACTICES**

### **DIRECTED BROKERAGE**

We are a registered broker-dealer and most of our advisory representatives are registered through us to handle securities brokerage transactions. Additionally, our clearing firm, RBC Correspondent Services, a division of RBC Capital Markets LLC (RBC), is a qualified custodian, and provides the systems and technology we use to manage assets in your account if you engage us for investment management services. Accordingly, we will generally require you to open one or more accounts with us using RBC as the qualified custodian for our investment management services.

However, if you engage us solely for financial planning or consulting services, you are never obligated to use our services or our representatives to implement our financial planning or consulting recommendations. Securities brokerage services are available from other sources at lower cost; however, discount brokerage firms generally do not provide personalized investment advice or other customer services that we can provide you. Commissions, 12b-1 fees, and other compensation received from the implementation of our recommendations are in addition to our compensation from financial planning, consulting, or investment management fees, as described above.

In the context of selecting and retaining RBC as our clearing broker-dealer firm and qualified custodian to our advisory accounts, we fulfill our duty of best execution by taking into account numerous factors regarding a broker-dealer's execution of customer trades including: (1) overall market quality, (2) speed of execution, (3) order size, (4) trading characteristics of a

particular security, (5) availability of accurate information affecting choices of the most favorable market, (6) availability of economic access to various market centers, and (7) cost and difficulty associated with achieving an execution in a particular market center. Our analysis of these factors is, among other considerations, based on information provided on a quarterly basis by RBC relative to their trade executions.

In addition, Leonard reviews at least one trade every two weeks, which is executed by RBC to test the pricing received by RBC against available “bid” and “ask” information for trades in the same security executed contemporaneously on other exchanges.

## **AGGREGATION OF ORDERS**

We have adopted a trade allocation policy to govern how we handle the aggregation of orders for more than one client’s account. From time to time and only where appropriate, we aggregate orders for securities transactions for more than one client and, in appropriate circumstances, include proprietary accounts. Proprietary accounts are the personal accounts of our employees which are discussed in the “**CODE OF ETHICS**” section above. In doing so, we strive to treat each client fairly and will not favor one client or a proprietary account over another client. When executed, we will allocate the aggregated order in accordance with policies and procedures intended to achieve fair treatment. The purpose of aggregating orders is for our administrative convenience and, in some transactions, to obtain better execution for the aggregated order than might be achieved by processing each of the transactions separately.

Each account that participates in an aggregated order will participate at the average share price for all transactions ordered by our firm in that security on a given business day. Transaction costs will be shared on a pro rata basis. Some broker-dealers charge brokerage commissions to each participating client in accordance with the size of that client’s part of the aggregated order, regardless of the total size of the aggregated order. If an aggregated order is not filled in its entirety, it will be allocated among participating accounts on a pro rata basis.

## **REVIEW OF ACCOUNTS**

If we provide you with portfolio management services, we conduct reviews as requested by you or at the time of significant new deposits or withdrawals, during substantial changes in market conditions, at our discretion, or according to the interval agreed upon at the time of engagement. You must contact us, when a real or potential change in your financial condition occurs, so we can review the portfolio along with your new information to ensure the investment strategies continue to be appropriate.

Our principals are responsible for reviewing your account and trading activity in your account. Additionally, we review activity in advisory accounts as part of our daily review of trading activity in client accounts.

We do not provide ongoing account monitoring or ongoing portfolio review to clients who work with us on a project or short-term basis.

If we provide you with portfolio management services, you will receive transactional statements monthly or quarterly from your custodian and/or other investment sponsor. These statements include the evaluation of each security in your account. We also provide reports which include portfolio performance and position reports. We may also provide other reports that you may request from time-to-time. When available, reports may be delivered to you via e-mail upon request. None of these reports are meant to replace or supersede your monthly or quarterly statements from your custodian and/or other investment sponsor.

If you utilize our financial planning services or engage us for a project, reports are provided upon completion of the project.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

We may engage solicitors to market our services. If you become our client as a result of the solicitor's efforts, you will receive a separate solicitor's disclosure brochure describing our solicitation arrangements, the compensation we pay to the solicitor, and the terms of that relationship. You will also receive a copy of this brochure. Generally, any such agreement will provide for payment to the solicitor of a percentage of the advisory fees we collect from you. Solicitor compensation will be based upon the advisory fees we collect from you, and may be paid during a specified time period after we begin providing advisory services to you or for the entire time that you remain one of our clients. The solicitor may therefore have a financial incentive to recommend our advisory services over other programs or services. The amount of this compensation may be more than the amount the solicitor would receive if you participated in other programs or paid separately for investment advice, brokerage, and other services. Generally, we would not charge clients introduced by such solicitors any higher advisory fee as a result of our obligation to pay for such solicitation services.

## **CUSTODY**

Whether your assets are held at RBC (our clearing broker-dealer), a bank, or other qualified custodian, you will receive statements at least quarterly. We urge you to carefully review such statements and compare these official custodial records to the account statements or

other reports that we may provide to you, as described in the “**REVIEW OF ACCOUNTS**” section. Our advisory and financial planning reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **INVESTMENT DISCRETION**

We generally receive discretionary authority in writing from clients at the outset of an advisory relationship in the investment management agreement. If you choose to do so, discretionary authority grants us the ability to determine, without obtaining your specific consent, the securities to be bought or sold for your portfolio, the amount of securities to be bought or sold, and in most cases, the broker-dealer to be used and the commission rate to be paid. In all cases, however, such discretion is to be exercised in a manner consistent with your stated investment objectives for the account and by considering the size of your account and your risk tolerance.

Also, you may sign an agreement with your custodian which generally includes a limited power of attorney granting us authority to direct and implement the investment and reinvestment of your assets within the account, but not direct the assets outside of the account.

When selecting securities and determining amounts, we observe any investment policies, limitations and restrictions you provide to us in writing. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

As described in more detail in the “**ADVISORY BUSINESS**,” you may establish written investment guidelines and restrictions.

## **VOTING CLIENT SECURITIES**

As a matter of firm policy and practice, we will not be responsible for responding to proxies that are solicited with respect to annual or special meetings of shareholders of securities held in your account. Proxy solicitation materials will be forwarded to you for response and voting.

## **FINANCIAL INFORMATION**

As a registered investment adviser, we are required to provide you with certain financial information or disclosures about our financial condition if we have financial commitments that impair our ability to meet contractual and fiduciary commitments to you. We have not been the subject of a bankruptcy proceeding and do not have any financial commitments that would impair our ability to meet any contractual or fiduciary commitments to you.