

**DISCIPLINED FINANCIAL SERVICES, INC.**  
FORM ADV – PART 2A INFORMATION  
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**This Brochure provides information about the qualifications and business practices of Disciplined Financial Services, Inc. (“DFSI”). If you have any questions about the contents of this Brochure, please contact us at (262) 784-6650. 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. The term registered does not imply a certain level of skill or training.**

**Additional information about DFSI (CRD No. 42727), including a copy of its Form ADV Part 1, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

***Item 2 - Material Changes To This Brochure Since Its Last Annual Update***

Future material changes to this brochure will be noted in this section and provided promptly to clients.

**Item 3**

**Table of Contents**

<u>Item</u>		<u>Page</u>
1	Cover Page.....	1
2	Material Changes Since Last Annual Update .....	2
4	Advisory Business .....	4
5	Fees and Compensation .....	6
6	Performance Based Fees and Side-by-Side Management.....	9
7	Types of Clients .....	9
8	Methods of Analysis, Investment Strategies and Risk of Loss .....	9
9	Disciplinary Information.....	10
10	Other Financial Industry Activities and Affiliations.....	10
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
12	Brokerage Practices .....	10
13	Review of Accounts.....	12
14	Client Referrals and Other Compensation .....	12
15	Custody .....	13
16	Investment Discretion .....	13
17	Voting Client Securities .....	14
18	Financial Information .....	14
19	Requirements for State-Registered Advisers .....	14
	Privacy Policy .....	15

#### ***Item 4 - Advisory Business***

Disciplined Financial Services, Inc. (“DFSI”) is a subsidiary of The Disciplined Investor Group, Inc. (“DIGI”) an independent branch office of Nations Financial Group, Inc. (“Nations Financial”), a securities broker-dealer. DFSI is an investment adviser registered with or exempt from registration with various state jurisdictions. DFSI provides a number of advisory programs to clients. DFSI offers Investment and Asset Management Services, Account Manager Selection and Performance Evaluation Services, and Consulting Services to a wide variety of clients. DFSI has been registered as an investment adviser since June 1997. DFSI is wholly owned by DIGI, which is majority owned by Eugene P. Szaj. DFSI does not control any other firm. DFSI is not under common control with any other firm.

DFSI conducts its advisory business using two distinct divisions. The Disciplined Asset Management Division of DFSI provides investment and asset management services and the Disciplined Consulting Services Division provides consulting services. Both services and the payment methods for each are described below.

##### **Investment and Asset Management Services**

The Disciplined Asset Management Division offers investment and asset management services on a discretionary and non-discretionary basis to individuals, corporations, trusts, including pension and profit sharing trusts, estates and other clients in need of such services.

The service begins with a DFSI Representative assisting each client in defining the client's investment objectives and policies. DFSI then manages the client's assets in a manner generally consistent with those objectives and client-requested restrictions. Investment and asset management services include regular supervision of investments and assets such as, and not necessarily limited to, stocks, bonds, warrants, mutual funds, municipal securities, government bonds, annuities, certificates of deposit and cash and cash equivalents. Clients receive a written report of securities in their managed portfolio each quarter, and the assets are generally managed in keeping with the client's objectives.

Trading Account Strategy. DFSI has established an aggressive trading account strategy which is only recommended to clients who can afford to lose a small portion of their portfolio by using the strategy. Generally, the strategy involves use of stocks, closed-end funds and ETF's. Inverse ETF's may also be used along with borrowed funds. Typical holding periods for positions, which may not exceed 65 in number, will range between 1 and 90 days. Thus, frequent trading will occur. Only investors who can afford to lose what they invest should allocate a portion of their portfolio to this strategy. Mr. Szaj's personal account will be included in the block transaction being affected for this strategy, thus he has an incentive to place a block order because his account will receive an average price like other accounts in the block.

Coordination of Services With Co-Advisers. DFSI may coordinate its investment management services with the counseling services of third party financial planning and other investment advisory firms that act as co-advisers with DFSI. Typically, under these arrangements, a co-adviser recommends to its client that a portion of the client's assets be managed by DFSI. The co-adviser may or may not assist a client in determining the client's managed account investment objectives. The co-adviser also assists the client in periodically evaluating DFSI's services, including the performance of the managed account. In effect, the co-adviser and DFSI compliment each other's services to a client. As co-advisers, DFSI and the co-advisory firm share in the asset-based fee paid to DFSI. A co-adviser generally receives between 25% to 50% of the fee paid by a client to DFSI.

As of December 31, 2011, DFSI has assets of \$50,063,931 under discretionary management and \$23,786,849 under non-discretionary management.

### **Account Manager Selection and Performance Evaluation Services**

DFSI can also provide advice about the services and performance of other independent portfolio management firms. The service allows the client to decide whether to have a third-party management firm manage the investments in the client's account or, in the case of an account already being managed, whether to continue to retain the manager. At the present time, DFSI does not conduct an individual search for investment managers for each client, but instead will select from a limited number of investment advisers the firm is familiar with, or will rely on manager background information provided by a third party manager search program sponsor such as Charles Schwab & Co. Based on a client's investment objectives, restrictions, circumstances and needs, DFSI will present one or more management firms it believes can meet the client's needs. Factors including account size, risk tolerance and a client's investment experience are discussed during consultations between DFSI and the client before a recommendation is made. Because of the limited number of managers in DFSI's selection pool, or in the pool of a third party manager search program sponsor, clients should be aware that managers, other than those recommended by DFSI, may have better or worse account management histories, and charge higher or lower fees.

After a client has selected a manager from those presented, DFSI supplies the manager, or the third party manager search program sponsor, with information regarding the financial background and investment objectives of the client to the extent such information is provided by a client. The client then enters into an advisory agreement with the manager, or the third party manager search program sponsor, or both, whereby the manager agrees to accept and manage the client's account. Depending on the service provided, DFSI may be a party to the agreement. DFSI also provides periodic assistance in evaluating manager performance and, if necessary, recommendations to replace a manager. To the extent DFSI becomes aware of changes in a client's financial circumstances or objectives, this information is relayed to the client's manager. Updated information about a client is not collected by DFSI on a regular basis or given to a manager unless DFSI is made aware of changes by the client. Clients may communicate such changes to the manager at any time.

Each client usually grants the manager complete and unlimited discretionary trading authority so the manager can place transaction orders at will for a client's account. Some managers may also agree to provide services on a non-discretionary basis. Each client has the opportunity to instruct the manager with respect to investment restrictions imposed on the management of the client's account and there is no restriction on a client contacting the manager directly for other purposes. Each client account with a manager is managed individually and is separate from the accounts of other clients of the manager. Each client receives confirmations of each securities transaction placed by the manager for the client's account, periodic custodian account statements, as well as summary of account positions prepared by DFSI, the manager, or third party manager search program sponsor at least quarterly. Managers and third party manager search program sponsors generally can terminate their services by notice to a client, or to DFSI.

While a client's account is being managed by a third-party manager, DFSI and/or Representatives of DFSI counsel the client about the performance of the account and about the content of reports sent to the client. Meetings occur as frequently as mutually agreed between a client and the DFSI representative.

DFSI does not recommend the replacement of a manager based on short-term performance results. In the event there is significant change in a manager's investment philosophy, loss of significant investment management personnel or a change in ownership, DFSI will re-evaluate the account manager to determine whether the manager has changed from how the manager represented itself initially. In the event a client

is not satisfied with the management services being provided by a manager, DFSI will assist a client in establishing an account with a new manager.

Again, clients should be aware that DFSI typically recommends investment managers it is familiar with, or those presented by a third party manager research program sponsor, thus it generally will not conduct a search for other managers unless requested to do so. The performance of other managers not recommended by DFSI but available to a client may be better or worse than that of the manager recommended by DFSI, and their fees may be higher or lower. Prospective clients should also be aware that DFSI may rely heavily on third party manager search program sponsors for manager selection, performance information and for account reporting services. Should a sponsor not provide these services to DFSI, DFSI may not be able to do so independently.

DFSI advice regarding investment management services can be limited to providing advice about manager selection only, performance only, or other related subjects.

### **Consulting Services**

DFSI's Consulting Services Division provides consulting services on an hourly, asset-based and flat fee basis.

Consulting Services include, but are not limited to, general financial and retirement planning, estate preservation and distribution analysis, investment strategy, and analysis of a client's financial assets with general recommendations for the selection and positioning of classes of investments and assets. Consulting services also include providing advice to employer pension plans relating to the selection and performance of mutual funds and common trust funds made available to participants in the employer's pension plan. Recommendations pertaining to specific investments are generally not made as part of the service. Consideration is given to each client's risk tolerance, income needs and short and long-term financial objectives. Consulting services result in a report being provided to a client which may be in writing if requested by the client.

DFSI's fees for consulting services are negotiable and may be paid based upon an hourly rate, the value of client assets, or as a flat fee as described below.

### ***Item 5 - Fees and Compensation***

Fees paid to DFSI are for DFSI advisory services only. The fees do not include, for example, the fees charged by third parties such as third-party managers, or accountants and attorneys assisting with providing the client with accounting and legal advice. Commissions on transactions and other account fees will also be charged by brokerage firms in accordance with the account's brokerage firm's normal commission schedule. See Item 12, Brokerage Practices. Customary commissions on insurance are also not included.

Prospective clients should be aware that in addition to DFSI's advisory fees, each mutual fund in which a client's assets are invested also pays its own advisory fees and other internal expenses which already have been deducted from the fund's reported performance. Depending on the fund, a client may be able to invest directly in the shares issued by the fund with or without incurring any sales or third-party management fees. Account maintenance fees are also deducted by the custodian.

In addition, there are tax effects pertaining to fund share redemptions, and other sales, made by DFSI on behalf of clients. Redemptions and sales are taxable events which may accelerate the recognition of capital gains, and losses, and frequent redemptions and sales may result in short-term, rather than long-

term, capital gains and losses.

Although DFSI believes its asset-based management fee and manager search fee are competitive, clients may be able to find similar services at higher or lower costs. Also, there can be no assurance that transactions effected through Nations Financial Group, Inc., Charles Schwab & Co. or any other custodian results in the lowest per transaction cost possible to a client.

### **Investment and Asset Management Service Fees**

Fees for investment and asset management services are negotiable, thus vary from client to client and are calculated at rates which may range up to 2.0% per annum based upon the value and nature of assets under management.

Typically rates follow the following schedule:

<u>Value of Assets</u>	<u>Annual Fee</u>		<u>Effective</u>
	<u>Percentage*</u>	<u>Dollars</u>	
First \$100,000	1.5%	\$1,500	1.50%
Next \$400,000	1.1%	\$4,400	1.18%
Next \$500,000	1.0%	\$5,000	1.09%
Next \$500,000	0.8%	\$4,000	0.99%
Next \$500,000	0.6%	\$3,000	0.90%
Amount > \$2,000,000	0.25%		

The annual Fee Percentage charged for the Trading Account strategy is 3% per year payable as described below for other managed accounts. The minimum annual fee for this strategy is \$3,000.

The minimum account size is usually \$100,000 but a lower minimum may be allowed based on the nature of the account. Fees are negotiated between DFSI and each client and vary based upon the nature of investments in the account, the value of the securities in the account, special services requested by the client and other factors. The specific annual asset-based fee is set out in the agreement entered into between DFSI and a client before services begin. Each client who elects to do so, may authorize DFSI and the client's designated account(s) custodian to withdraw from the client's account sufficient funds to pay fees as they are billed.

All asset-based fees due DFSI are payable every three months before services are provided. The initial fee, which is prorated for the balance of the first calendar quarter of services, is due on the date the asset management agreement is signed by the firm and client, and is based upon the account's asset value on that date. Thereafter, fees are based upon the account's asset value on the last business day of the previous calendar quarter. If additional cash, securities or other investments exceeding \$10,000 are accepted for management during any quarter, the applicable fee will be pro-rated. No fee adjustment will be made during any fee period for appreciation or depreciation in an account's asset value during that period, nor is any adjustment or refund made with respect to partial withdrawals during any fee period. The fees may be modified or changed by DFSI upon written notice to the client. DFSI may, in its discretion, aggregate related accounts for fee calculation purposes and deduct fees in specific accounts as provided for in the advisory agreement.

If the management services agreement is terminated by DFSI at any time, or by the Client after the first year following the date of the agreement, DFSI pays the Client unearned prepaid fees pro-rated to the date of termination. In the event the Client terminates the agreement during its first year, the Client pays DFSI

the balance of the first full year's fee with the final fee calculation based upon the value of the account assets on the date of this agreement.

Transaction Costs. DFSI's asset management fee does not include transaction execution costs. DFSI Representatives that are registered as securities and insurance representatives therefore have a conflict of interest in that they are in a position to influence their personal income by the kind and number of transactions they place for clients with Nations Financial Group, Inc., and insurance companies, or other entities.

### **Account Manager Selection and Performance Evaluation Service Fees**

Fees to DFSI for providing Account Manager Selection and Evaluation Services are calculated and billed in the same manner described for Investment and Asset Management Services specified above.

The fees paid to DFSI are for DFSI's services only. Fees to the Client's account manager for investment management services and commissions for securities transactions are billed separately by the third party manager search program sponsor, or separately by the Client's manager and broker-dealer.

### **Consulting Service Fees**

DFSI's fees for Consulting Services are negotiable and may be paid based upon an hourly rate, the value of client assets, or as a flat fee as described below.

Hourly Fee. DFSI's hourly fee for consulting services generally ranges from \$100-\$200 per hour. Prior to engagement, each client signs an agreement which estimates, when possible, the total fee for services. One-half of the estimated fee is due in advance with the balance due promptly after services are completed. If an estimate of total fees is not determinable, an initial deposit of \$500 is required which is offset at the hourly rate, as services are provided, with billings made on a monthly basis until the project is completed.

Asset-Based Fee. Asset-based fees for consulting services generally range from 0.1% to 0.5% per annum based upon the value of assets under management and are calculated and payable in the same manner as fees for Investment and Asset Management services described above.

Flat Fees. A DFSI representative may offer a client the opportunity to pay for services on a flat fee basis. Such fees are negotiable based on the scope and nature of the services provided. Usually, one-half of the fee is due upon signing of the agreement, with the balance due promptly after services are provided.

If a client elects to receive ongoing services, the scope of those services is determined before services begin along with the fee and billing procedure.

Travel and related expenses are charged to clients provided the expenses have been authorized in advance.

The agreement between DFSI and a client for consulting services may be terminated by either party at any time by written notice to the other. Any fee due, but not yet paid by a client, is due promptly after termination.

Although DFSI believes its Consulting Services are competitively priced, clients may be able to obtain similar advisory services at higher or lower prices if purchased elsewhere.



The decision to accept any recommendation or advice provided from DFSI consultations and all decisions regarding implementation thereof are left to the client. Clients are free to implement recommended securities and insurance transactions through broker-dealers and other service providers other than those recommended by DFSI and clients are advised to evaluate independently the transaction execution services of firms recommended by DFSI, including the reasonableness of any transaction price and commission.

#### Other Compensation

DFSI Representatives may also be licensed to offer securities and insurance products and will receive customary commissions for the sale of such products should a client decide to make purchases through the Representative. Clients are free to purchase such products other than through the Representative. This compensation creates a conflict of interest. All prospective and existing clients are hereby advised that this conflict exists. A DFSI Representative may recommend either no-load or load mutual funds for a client's account. In all cases, the investments must be suitable. Fees are not offset by the amount of commissions earned by a Representative on any sale.

#### ***Item 6 - Performance Based Fees and Side-by-Side Management***

DFSI does not charge any performance-based fees. All fees are disclosed above.

#### ***Item 7 - Types of Clients/Minimum Account Size***

DFSI makes its advisory services available to a wide variety of clients including, but not limited to, individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

DFSI usually requires a minimum account size of \$100,000 before accepting accounts for Investment and Asset Management Services, however, this minimum may be waived at the discretion of DFSI. There are also minimum annual fees and minimum hourly fees for Consulting Services and for Account Manager Selection and Evaluation Services. Please refer to "Investment and Asset Management Services," and "Consulting Services" above for a description of the minimum account sizes and fees.

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

DFSI's security analysis methods include, but are not limited to, charting (using charts to track individual security or market movement over time; fundamental analysis (evaluating securities based upon its historical and projected financial performance); technical analysis (examining technical moves in the price of an issue based upon peer securities or comparisons to an investment sector or index). DFSI may employ Modern Portfolio Theory and use asset allocation software when determining what advice to give to clients.

DFSI's main sources of information include, but are not limited to, financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses and public filings, company press releases and the internet.

Neither DFSI, nor the third party managers it may secure, guarantee the results of the advice given. Thus, significant losses can occur by investing in any security, or by following any strategy, including those recommended or applied by DFSI.

DFSI may recommend exchange-traded funds ("ETF"). ETF shares are bought and sold at market price unlike mutual funds. ETFs are subject to risks similar to those of stocks.

#### ***Item 9 - Disciplinary Information***

DFSI does not have any disciplinary information to report regarding itself or any of its principals, counselors or other related persons.

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

DFSI Representatives and employees of DFSI may be Registered Representatives of Nations Financial Group, Inc. ("Nations Financial") a registered broker-dealer, Member FINRA/SIPC, and may also be licensed as insurance agents for various companies. Clients are under no obligation to purchase or sell securities or insurance through these related persons; however, if they choose to make a purchase, commissions may be earned in addition to any fees paid for advisory services. The commissions may be higher or lower than obtainable from other firms. Commissions will not be earned on advisory assets on which a fee is charged.

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

As noted above, DFSI Representatives may also be Registered Representatives for Nations Financial and may be licensed as insurance agents for one or more insurance companies. DFSI Representatives will recommend to clients that they use the services of Nations Financial and purchase various insurance products from such insurance companies. Clients are free to use the services of DFSI and purchase insurance products through these insurance companies, or to use the services of other broker/dealers and purchase the products of other insurance companies.

DFSI and its employees may buy and sell securities they recommend to advisory clients for purchase and sale. DFSI has established a Code of Ethics applicable to all persons at the firm who have access to confidential client records or to recommendations being made for client accounts. Designed to prevent conflicts of interest between the financial interests of clients and the interests of the firm's staff, the Code requires such "access persons" to obtain preapproval of certain securities transactions, to report transactions quarterly and to report all securities positions in which they have a beneficial interest at least annually. These reporting requirements allow supervisors at the firm to determine whether to allow or prohibit certain employee securities purchases and sales based on transactions made, or anticipated to be made, in the same securities for client accounts. The Code also establishes certain bookkeeping requirements relating to the new federal reporting rules. The Code is required to be reviewed annually and updated as necessary. A complete copy of the firm's Code is available upon request.

#### ***Item 12 - Brokerage Practices***

Although it generally does not exercise discretion to select brokerage firms, DFSI will, however, recommend, and clients typically designate, Nations Financial or Schwab Institutional Division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, Member SIPC, to execute the securities transactions recommended by DFSI. Thus, DFSI will not exercise discretion to evaluate the commissions and services of other broker-dealers unless unusual conditions exist and the client requests DFSI to do so.

Selection of one broker-dealer, including either Nations Financial or Schwab for executing orders may not allow DFSI to receive research from other broker-dealers in return for commission business, to batch transaction orders with those of other clients for volume commission discounts (unless batched with

orders of other DFSI clients using the same custodian) or allow DFSI to evaluate the quality of execution services and commissions of other broker-dealers. Thus, selecting a single broker-dealer may not result in best price or execution of a client's transactions or may otherwise disadvantage a client.

When exercising discretion, DFSI may combine orders for more than one client's account to form a "block" order for the purpose of seeking a better price and or execution. When a block order is executed, the broker/dealer executing the order typically allocates an average execution price to all shares in the block order, which DFSI then allocates to each customer's account position on a pro rata basis. Should a block order only be partially filled, available shares are distributed in a manner fair to all accounts.

A small transaction service fee may be imposed by broker-dealers, such as Schwab, for security transactions placed by DFSI, but DFSI believes the efficiencies gained justify the cost.

Clients shall be aware that when third party manager search program sponsors are recommended by DFSI when providing Account Manager Search and Evaluation Services, such as Schwab, that DFSI may be dependent on the sponsors for manager selection and performance information and for reports that DFSI would not be able to independently provide without a sponsor's assistance. Thus, receipt of these support services creates a conflict of interest when DFSI recommends the services of such sponsors.

As indicated above, DFSI may recommend that clients establish a brokerage account with Schwab to maintain custody of clients' assets and to effect trades for their accounts. DFSI is independently owned and operated and not affiliated with Schwab. Schwab provides DFSI with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional, *and are not otherwise contingent upon DFSI committing to Schwab any specific amount of business (assets in custody or trading)*. Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For DFSI's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to DFSI other products and services that benefit DFSI but may not benefit its clients' accounts. Some of these other products and services assist DFSI in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of DFSI's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of DFSI's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to DFSI other services intended to help DFSI manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to DFSI by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to DFSI. While as a fiduciary, DFSI endeavors to act in its clients' best interests, DFSI's requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to DFSI of the availability of some of the foregoing products and services and not solely on the

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

DFSI frequently invests client funds in money market and other mutual funds. Many of these mutual funds pay continuing "12b-1" fees to client account custodians, including Nations Financial, based upon the total amount of client funds invested in them. Other issuers of securities, insurance and certificates of deposit also pay fees to Nations Financial for sales of these products. Such fees are then paid by Nations Financial to its Registered Representatives, including Representatives of DFSI giving advice to clients.

Thus, DFSI's Representatives' roles as providers of advice and as Representatives receiving fees from investment and insurance products they recommend may conflict as advice is provided.

Clients should be aware the receipt of economic benefits by DFSI and its Representatives described above, in and of itself, creates a potential conflict of interest and may directly or indirectly influence DFSI's recommendation to use those service providers for custody and brokerage services. Thus, the receipt of these services creates an incentive and conflict of interest for DFSI when it recommends Schwab.

Other than the services described above, DFSI and its Representatives do not direct transactions and the commissions they generate (soft dollars) to brokerage firms or other parties to receive research or other benefits.

Clients should be aware of the fact that not all advisers require clients to use a particular brokerage firm. Because clients having accounts managed by DFSI are required to open accounts with, and use the transaction services of the recommended service providers, DFSI may not be able to achieve the most favorable execution of client transactions. Thus, use of only Nations Financial or Schwab may cost clients more money.

DFSI does not process transactions through Nations Financial or Schwab in return for them referring new clients to DFSI.

### ***Item 13 - Review of Accounts and Reports***

Managed and counseled accounts are reviewed on a regular basis as deemed necessary by each client's Representative. Mr. Szaj supervises all accounts managed by the firm with final supervisory responsibility left to Mr. Szaj. Portfolio managers and counselors will review any aspect of a client's account when asked to do so. There are no restrictions on the ability of clients to contact and consult with the firm's portfolio managers and counselors any time they wish regarding the content of any DFSI report or any aspect of their account.

Quarterly reports are provided to clients receiving Investment and Asset Management Services and Account Manager Selection and Evaluation Services. Consulting clients receive a report at completion of the project which are prepared in the scope requested by the client.

Client's may contact their account Representative at any time.

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

DFSI may compensate firms and individuals for referring clients to it. Typically, payments for referrals are calculated as a percentage of the advisory fee received by DFSI from the referred client, thus no additional fee is paid to DFSI by a referred client. DFSI enters into agreements with the firms and

individuals who refer clients and each client is provided with details of the agreement in writing and, where required by state law, with a copy of the agreement, prior to the client entering into DFSI's advisory agreement.

As indicated above, DFSI may compensate co-advisers by paying them a portion of the asset-based advisory fee it receives from clients being co-advised by DFSI and the financial planning firm. Co-advisers therefore have a conflict of interest in recommending DFSI's services since the co-adviser will receive a percentage of the fee a client pays to DFSI as long as the client's account is managed by DFSI.

DFSI, on occasion, may refer Clients to other professionals, such as attorneys and accountants, when a client asks for such recommendations. In return, these professionals may refer prospective investment management accounts back to DFSI. Referrals by DFSI to these professionals results in a conflict of interest since referrals to other professionals which may be better suited to a client's needs may not occur.

Also, DFSI may offer a gift certificate valued under \$100 to existing clients who refer an acquaintance to DFSI who then becomes a client.

#### ***Item 15 - Custody***

DFSI does not take custody of client funds or securities. These safekeeping services are typically provided to managed accounts only by the brokerage firm processing the securities transactions ordered by DFSI, usually Schwab or Nations Financial.

To the extent a client receives any account or other investment ownership statement from DFSI, DFSI recommends the client carefully compare the information on the report to the information on the custodian's statements.

#### ***Item 16 - Investment Discretion***

When providing Investment and Asset Management Services, DFSI Representatives may exercise discretion when granted authority by clients and most clients grant discretionary authority to DFSI in the agreement they sign. When doing so, it allows DFSI to select the securities to buy and sell, the amount to buy and sell, when to buy and sell, and the commission rate paid without obtaining specific consent from the client for each trade. Clients should be aware that Representatives may make different recommendations and effect different trades with respect to the same securities and insurance to different advisory clients. Commissions and execution of securities transactions implemented through the custodian/broker dealer recommended by DFSI may not be better than the commissions or execution services available if the client used another brokerage firm. However DFSI believes the overall level of services and support provided to the client by custodians and broker dealers DFSI recommends outweighs the potentially lower costs, which may be available from other brokerage service providers.

Depending on the service agreement, third-party managers used to manage client accounts or portions of client accounts may be hired or terminated by DFSI using discretionary authority granted to DFSI by a client. Such third-party managers also have authority granted by the client to purchase and sell securities at their discretion.

If a client directs DFSI to effect transactions through a particular broker/dealer, including Nations Financial or Schwab, DFSI will do so. However, such an instruction may have implications to the client which may include incurring transaction costs and commissions that may be higher or lower than if the instruction had not been given. Also, restricting DFSI to particular broker/dealers may limit DFSI's ability to include a client account order within block orders to obtain the best price or execution. In

addition, if DFSI is effecting transactions in a security for clients by means of a block order, as well as an order in the same security for a client who has directed DFSI to use a particular broker/dealer, DFSI will effect the block order immediately prior to effecting the directed brokerage trade. Thus, clients directing DFSI to use a particular broker/dealer may not receive the same average price for securities bought or sold that would be received if the order was part of a block order.

In the event of an order error by DFSI, it is DFSI's policy to take action to make the client's account whole.

#### ***Item 17 - Voting Client Securities***

It is DFSI's policy to allow its client's to make all decisions being addressed in a company's or mutual fund's proxy proposals and to submit their own votes. DFSI does not take independent action to vote proxies. However, DFSI's professional staff will assist clients with questions regarding proxies and voting procedures.

DFSI also does not take any action on legal notices it or a client may receive from issuers of securities held in a client's managed account. However, it is available to answer questions regarding such notices.

#### ***Item 18 - Financial Information***

DFSI does not require or solicit fees from clients of more than \$500 six months or more in advance, thus no financial statement for DFSI is attached. DFSI does not have any financial condition that is reasonably likely to impair its ability to meet its contracted commitment to any client.

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

*Background Information.* See the attached Schedule(s) 2.B for background information about management personnel and those giving advice on behalf of DFSI.

*Other Business.* DFSI and its supervised persons are not engaged in any business not described in this Brochure. Neither are affiliated with any issuer of securities.

*Legal Events.* Neither DFSI nor any of its management persons has been involved with (1) any arbitration claim of any kind; (2) any self regulatory organization or administrative proceeding of any kind other than as specified in response to Item 9.

*Relationships.* Neither DFSI nor any of its management persons has a relationship with an issuer of securities.

## **Notice Regarding Treatment of Confidential Information**

**Privacy Notice To Our Clients.** DFSI strongly believes in protecting the confidentiality and security of information we collect about you. This notice describes our privacy policy and how we protect your personal information.

**Why We Collect And How We Use Information.** When we evaluate your request for our services, provide investment advice to you, and process transactions for your account, you typically provide us with certain personal information necessary for us to provide advice and process transactions. We may also use that information to offer you other planning services to meet your investment and planning objectives.

**What Information We Collect.** The personal information we collect may include:

- Name, address, and phone number(s), e-mail address(s);
- Social Security or taxpayer identification number(s);
- Financial assets and net worth;
- Income;
- Account balance and positions;
- Investment activity;
- Accounts at other institutions; and
- Personal and/or family situation and objectives.

**How We Protect Information.** We do not sell or provide your personal information to anyone, other than what is required to establish accounts with custodians or other financial service providers (i.e., insurance co., etc.). Information collected in connection with, or in anticipation of, any claim or legal proceedings will be shared with appropriate legal and professional outside advisors.

We treat information about current and former clients and their accounts in a confidential manner. Our employees may access information and provide it to third parties only when completing transactions or providing our other services to you.

At your request, we may disclose information to or from attorneys, accountants, securities firms, and others to assist us, or them, in providing services to you. We may also share information with companies that perform services on our behalf, such as the companies that we retain for marketing or administrative services. Companies we may retain to provide support services are not allowed to use your personal information for their own purposes. We may make additional disclosures as permitted by law.

We also maintain physical, electronic, and procedural safeguards to protect information. Employees and our professional service representatives are required to comply with our established information confidentiality provisions.

**Access to And Correction of Information.** Generally, upon your written request, we will make available information for your review. Information collected in connection with, or in anticipation of, any claim or legal proceeding will not be made available.

If your personal information with us becomes inaccurate, or if you need to make a change to that information, please contact us at the number shown below so we can update our records.

**Further Information.** For additional information regarding our privacy policy, please contact us by writing to us at 19575 Janacek Court, Suite 105, Brookfield, Wisconsin 53045, or calling (262) 784-6650.