

**The Financial Network Group, Ltd.  
7890 E. Kemper Road  
Suite 200  
Cincinnati, OH 45249  
P: 513-469-7500**

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

**April 23, 2012**

**This Brochure provides information about the qualifications and business practices of The Financial Network Group, Ltd. If you have any questions about the contents of this Brochure, please contact us at (513) 469-7500 and/or [julies@fngltd.com](mailto:julies@fngltd.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about The Financial Network Group, Ltd. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any references to The Financial Network Group, Ltd. as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes to this Brochure since The Financial Network Group, Ltd.'s initial Brochure on March 31, 2011.

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## **Item 4            Advisory Business**

- A. The Financial Network Group, Ltd. (hereinafter referred to as “FNG”) is an investment advisory firm offering a variety of advisory services customized to the client’s individual needs. The services are more fully described below.

FNG has been in business since 1994. The principal owners of FNG are Nathan Bachrach and Edward Finke. Nathan serves as the CEO and Edward serves as the President to FNG. Additional business information about Nathan Bachrach and Edward Finke is disclosed on the Brochure Supplement attached to this Brochure.

- B. As discussed below, FNG offers to its clients (individuals, business entities, banks and thrift institutions, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage FNG to provide discretionary and/or non-discretionary investment advisory services on a wrap or non-wrap *fee* basis. (*See* discussion below). If a client determines to engage FNG on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client’s particular need. If the client determines to engage FNG on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody).

FNG tailors its services to the specific needs of its clients after a consultation and interview. That process enables FNG and the client to determine if the relationship is a good fit and understand the services FNG offers. FNG will utilize a combination of interviews, completion of a new account information form, and other data gathering forms. The client should expect the data gathering process to take approximately three meetings. Depending on the services the client requests, FNG will gather various financial information and history from the client including, but not limited to:

- Retirement and financial goals
- Investment objectives
- Investment horizon
- Financial needs
- Cash flow analysis
- Cost of living needs
- Education needs
- Savings tendencies
- Other applicable financial information required by FNG in order to provide the investment advisory services requested.

## **THE FINANCIAL NETWORK GROUP, LTD. WRAP PROGRAM**

FNG provides investment management services on a wrap fee basis in accordance with FNG's investment management wrap fee program (the "Program"). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure a copy of which is presented to all prospective Program participants. Under the Program, FNG is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The terms and conditions for client participation in the Program are set forth in detail in the Wrap Fee Program Brochure, which is presented to all prospective Program participants in accordance with the disclosure requirements of Part 2A Appendix 1 of Form ADV. The Wrap Fee Program Brochure is incorporated into this Brochure by reference. All prospective Program participants should read both FNG's Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program. TD Ameritrade, Inc. ("Ameritrade") or Charles Schwab & Co. ("Schwab") shall serve as the custodian for Program accounts.

**Please Note:** As indicated in the Wrap Fee Program Brochure, participation in the Program may cost more or less than purchasing such services separately. As also indicated in the Wrap Fee Program Brochure, the Program fee charged by FNG for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

FNG manages client accounts, on a discretionary basis, guided by one or more management style portfolios as described below:

### **Mutual Fund Portfolios Objectives**

**Bond:** Emphasis on generating a stable level of current income for clients requiring a maximum exposure to fixed income asset classes. Future capital appreciation is a secondary objective. Modest annual principal fluctuation is expected and acceptable. Portfolio will consist of an allocation across primarily fixed income fund positions with very limited equity and/or alternative investments. **General Allocation:** 95% fixed income; 5% equity and alternative investments. **Types of Securities:** mutual funds with limited use of exchange traded funds. Allocation subject to change at discretion of FNG dependent upon market conditions.

**Conservative:** Emphasis on generating a stable level of current income. Future capital appreciation is a secondary objective. Modest annual principal fluctuation is expected and acceptable. Portfolio will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on fixed income. **General Allocation:** 80% fixed income; 20% equity and alternative investments. **Types of Securities:** mutual funds with limited use of exchange traded funds. Allocation Subject to change at discretion of FNG dependent upon market conditions.

Moderately Conservative: Emphasis on both current income and future capital appreciation with a bias toward current income. Modest annual principal fluctuation is expected and acceptable. Portfolio will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on fixed income. General Allocation: 65% fixed income; 35% equity and alternative investments. Types of Securities: mutual funds with limited use of exchange traded funds. Allocation Subject to change at discretion of FNG dependent upon market conditions.

Balanced: Emphasis on both current income and future capital appreciation. Principal risk and fluctuation is expected and acceptable over the intended investment time horizon (at least 5 years). Portfolio will consist of a determined allocation among equities, fixed income, and cash. General Allocation: 50% fixed income; 50% equity and alternative investments. Types of Securities: mutual funds with limited use of exchange traded funds. Allocation Subject to change at discretion of FNG dependent upon market conditions.

Moderately Aggressive: Emphasis on both current income and future capital appreciation with a bias toward capital appreciation. Principal risk and fluctuation is expected and acceptable over the intended time horizon. Portfolio will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on equities, including private investment funds. General Allocation: 35% fixed income; 65% equity and alternative investments. Types of Securities: mutual funds with limited use of exchange traded funds. Allocation Subject to change at discretion of FNG dependent upon market conditions.

Aggressive: Emphasis on capital appreciation. Noticeable principal risk and fluctuation is expected and acceptable. Portfolio will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on equities, including private investment funds. General Allocation: 20% fixed income; 80% equity and alternative investments. Types of Securities: mutual funds with limited use of exchange traded funds. Allocation Subject to change at discretion of FNG dependent upon market conditions.

Equity: Emphasis is entirely on future capital appreciation for clients requiring a maximum exposure to equity asset classes. Principal risk and fluctuation is expected and acceptable over the intended long-term investment time horizon (in excess of 5 years). Portfolio will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on equities. General Allocation: 95% equity and alternative investment classes with limited exposure to fixed income classes. Types of Securities: mutual funds with limited use of exchange traded funds. Allocation Subject to change at discretion of FNG dependent upon market conditions.

## **ETF Portfolios Objectives**

### Conservative

The Conservative tactical ETF strategy is a global asset allocation portfolio that is managed consistent with the risk orientation of a conservative investor. The strategy will invest in the global fixed income, global equity and alternative market segments. Tactical allocation decisions will be applied on two levels, at the broad asset class level and within the various fixed income, equity and alternative market segments.

### Core Plus Fixed Income Strategy

The Core Plus Fixed Income tactical ETF strategy seeks to provide excess yield and strong risk-adjusted investment returns relative to the Barclay's Aggregate Bond Index. The strategy will invest primarily in core fixed income and will tactically allocate between 0%-40% in non-core segments such as high yield, non-dollar, emerging market debt and preferred stocks. The tactical allocation decisions will be determined by the desired portfolio duration, yield curve management and opportunities in non-core market segments.

### Moderate

The Moderate tactical ETF strategy is a global asset allocation portfolio that is managed consistent with the risk orientation of a moderate investor. The strategy will invest in the global fixed income, global equity and alternative market segments. Tactical allocation decisions will be applied on two levels, at the broad asset class level and within the various fixed income, equity and alternative market segments.

### Moderate Growth

The Moderate Growth tactical ETF strategy is a global asset allocation portfolio that is managed consistent with the risk orientation of a moderate growth investor. The strategy will invest in the global fixed income, global equity and alternative market segments. Tactical allocation decisions will be applied on two levels, at the broad asset class level and within the various fixed income, equity and alternative market segments.

### Growth

The Growth tactical ETF strategy is a global asset allocation portfolio that is managed consistent with the risk orientation of a growth investor. The strategy will invest in the global fixed income, global equity and alternative market segments. Tactical allocation decisions will be applied on two levels, at the broad asset class level and within the various fixed income, equity and alternative market segments.

### ACE Plus

The All Cap Equity Plus tactical ETF strategy seeks to provide strong risk-adjusted investment returns relative to the global equity market. The strategy will invest primarily in core domestic and international equity markets and will tactically allocate between 0%-40% in non-core segments such as emerging market equity, commodities, real estate and currencies.

FNG also manages client accounts, on a discretionary or limited discretionary basis, through the Programs set forth below:

## **WRAP/NON-WRAP FEE BASIS**

### **VISION2020 WEALTH MANAGEMENT PLATFORM – ADVISOR MANAGED PORTFOLIOS PROGRAM**

FNG provides discretionary and/or non-discretionary investment advisory services on a wrap or non-wrap fee basis through the Wealth Management Platform – Advisor Managed Portfolios Program (“Advisor Managed Portfolios”). Advisor Managed Portfolios provide comprehensive investment management of client assets through the application of asset allocation planning software as well as the provision of execution, clearing and custodial services through Pershing, LLC.

Advisor Managed Portfolios provides risk tolerance assessment, efficient frontier plotting, fund profiling and performance data, and portfolio optimization and re-balancing tools. Utilizing these tools, and based on client responses to a risk tolerance questionnaire and discussions that FNG has with the client regarding, among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation, FNG constructs a portfolio of investments for the client. This portfolio may consist of mutual funds, exchange traded funds, equities, options, debt securities, variable life, variable annuity sub-accounts (certain restrictions may apply) and other investments. Each portfolio is designed to meet the client’s individual needs, stated goals and objectives.

**Please Note:** The Advisor Managed Portfolio Program is no longer being offered to new clients.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, FNG *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging FNG to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with FNG setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to FNG commencing services. If requested by the client, FNG may recommend the services of other professionals for implementation purposes, including certain of FNG’s representatives in their individual capacities as registered representatives of *Royal* and/or as licensed insurance agents. (*See* disclosure at Item 10 C.1 and Item 10 C.8). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from FNG.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** Each client is advised that it remains the client’s responsibility to promptly notify FNG if there is ever any change in client’s financial situation or investment objectives for the purpose of reviewing/evaluating/revising FNG’s previous recommendations and/or services.

## RETIREMENT CONSULTING

FNG also provides non-discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, FNG shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in an agreement between FNG and the plan sponsor.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, FNG may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither FNG, nor any of its representatives, serves as an attorney or accountant, and no portion of FNG's services should be construed as same. To the extent requested by a client, FNG may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of FNG in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from FNG. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** Each client is advised that it remains the client's responsibility to promptly notify FNG if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising FNG's previous recommendations and/or services.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage FNG on a non-discretionary investment advisory basis **must be willing to accept** that FNG cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, FNG will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

**ByAllAccounts.** FNG, in conjunction with the services provided by ByAllAccounts, Inc, may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets," including those investment assets that are not part of the assets managed by FNG (the "Excluded Assets"). **The client and/or his/her/its other advisors that maintain trading authority, and not FNG, shall be exclusively responsible for the investment performance of the Excluded Assets.** FNG's service relative to the Excluded Assets is limited to reporting and non-discretionary consulting services only, which does not include investment implementation. FNG does not have trading authority for the Excluded Assets. As such, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not FNG, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. FNG shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded



Assets. In the event the client desires that FNG provide non-discretionary investment management services (whereby FNG would have trading authority) with respect to the Excluded Assets, the client may engage FNG to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between FNG and the client.

**Client Obligations.** In performing its services, FNG shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify FNG if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising FNG's previous recommendations and/or services.

- C. FNG shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, FNG shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on FNG's services.
- D. There is no significant difference between how FNG manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a client determines to engage FNG on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage FNG on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody). **Please Note:** When managing a client's account on a wrap fee basis, FNG shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.
- E. As of December 31, 2011 FNG had \$636,844,850 in assets under management on a discretionary basis and \$7,590,600 in assets under management on a non-discretionary basis.

## **Item 5            Fees and Compensation**

- A. The client can determine to engage FNG to provide discretionary and/or non-discretionary investment advisory services on a wrap or non-wrap *fee* basis.

### **NON-WRAP FEE BASIS**

If a client determines to engage FNG to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis, FNG's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under FNG's management (between negotiable and 2.50%) as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
\$50,000 - \$1,000,000	2.50%
\$1,000,001 +	Negotiable

### **THE FINANCIAL NETWORK GROUP, LTD. WRAP PROGRAM**

If a client determines to engage FNG to provide investment management services on a wrap fee basis in accordance with FNG's Program, the services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants. Under the Program, FNG is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The current annual Program fee ranges from negotiable to 2.50%, depending upon the amount and type of the Program assets.

### **VISION2020 WEALTH MANAGEMENT PLATFORM – ADVISOR MANAGED PORTFOLIOS PROGRAM**

If a client determines to engage FNG to provide investment management services on a wrap or non-wrap fee basis in accordance with the Advisor Managed Portfolios Program ("Advisor Managed Portfolios"), the services offered under, and the corresponding terms and conditions pertaining to, the Advisor Managed Portfolios are discussed in the Advisor Managed Portfolios Brochure, a copy of which is presented to all Advisor Managed Portfolios Program participants. Under the Advisor Managed Portfolios Program, clients receive discretionary and/or non-discretionary investment management services. If services are provided on a wrap-fee basis, a single specified annual fee is charged, which is inclusive of trade execution, custody, reporting, and investment management fees. The current annual Advisor Managed Portfolios Program fee (on both a wrap and non-wrap fee basis) ranges from negotiable to 2.50%, depending upon the amount and type of Advisor Managed Portfolios Program assets. **Please Note:** The Advisor Managed Portfolio Program is no longer being offered to new clients.

### **FINANCIAL PLANNING AND CONSULTING SERVICES FEES (STAND-ALONE)**

To the extent specifically requested by a client, FNG *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. FNG's planning and consulting fees are negotiable, but generally range from \$600 to \$5,000 on a fixed fee basis, and from \$125 to \$375 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). For certain clients, FNG may be engaged for financial planning and consulting services on an annual retainer basis (with a maximum annual fee of \$100,000) or a percentage of net worth basis (with a maximum annual fee of 1.00%).

- B. Clients may elect to have FNG's advisory fees deducted from their custodial account. Both FNG's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of FNG's investment advisory fee and to directly remit that management fee to FNG in compliance with regulatory procedures. In the limited event that FNG bills the client directly, payment is due upon receipt of FNG's invoice. FNG shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, FNG shall generally recommend that *Royal*, *Ameritrade* and/or *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Royal*, *Ameritrade* and *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to FNG's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Participants in The Financial Network Group, Ltd. or Vision 2020 Advisor Program wrap-fee programs will not incur brokerage commissions and/or transaction fees in addition to the program fees
- D. FNG's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The *Investment Advisory Agreement* between FNG and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, FNG shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. **Commission Transactions.** In the event that the client desires, the client can engage certain of FNG's representatives, in their individual capacities as registered representatives of *Royal*, an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through *Royal*, *Royal* will charge brokerage commissions to effect securities transactions, a portion of which commissions *Royal* shall pay to FNG's representatives, as applicable. The brokerage commissions charged by *Royal* may be higher or lower than those charged by other broker-dealers. In addition, *Royal*, as well as FNG's representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from *Royal* presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's needs. No client is under any obligation to purchase any commission products from *Royal*. **FNG's Chief Compliance Officer, Julie Seifert, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
  2. **Please Note:** Clients may purchase investment products recommended by FNG through other non-affiliated broker dealers or agents.
  3. FNG does not receive more than 10% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products FNG recommends to its clients.
  4. When FNG's representatives sell an investment product on a commission basis,

FNG does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, FNG's representatives do not also receive commission compensation for such advisory services. **However**, a client may engage FNG to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from FNG's representatives on a separate commission basis.

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

Neither FNG nor any supervised person of FNG accepts performance-based fees.

## **Item 7 Types of Clients**

FNG's clients shall generally include individuals, business entities, banks and thrift institutions, trusts, estates, and charitable organizations. FNG generally requires a \$50,000 minimum asset level for investment advisory services. FNG, in its sole discretion, may reduce its minimum asset requirement and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). **Please Note:** Clients may make additions to the account or withdrawals from the account, provided the account continues to meet minimum account size requirements. For those clients that are participants in the Vision 2020 Advisor Program, additional assets deposited into a client account of \$5,000 or more after it is opened will be charged a pro-rata fee based upon the number of days remaining in the then current calendar quarter. Partial withdrawals from the client account of \$5,000 or more during a calendar quarter will result in a prorated fee credit to the account applied on the next quarter's billing.

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

- A. FNG conducts economic analysis and attempts to analyze and determine the trends. Additionally, FNG conducts fundamental analysis. Fundamental analysis generally involves assessing a company's or security's value based on factors such as sales, assets, markets, management, products and services, earnings, and financial structure.

FNG will conduct technical market analysis and technical trend following. Technical analysis generally involves studying trends and movements in a security's price, trading volume, and other market-related factors in an attempt to discern patterns.

If a client is participating in FNG's model account management, FNG will make strategic/tactical changes based on market conditions. Accounts are actively managed. FNG is constantly monitoring market trends, economic conditions, global economics and world events. Accounts are at a minimum rebalanced once or twice a year. However, depending on market and economic conditions account allocations may be adjusted as frequently as monthly or more often. The determination to adjust allocations is determined by FNG based on the aforementioned factors. Cash balances are determined by client liquidity needs as well as market conditions.

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by FNG) will be profitable or equal any specific performance level(s). Investing in securities involves risk of loss that clients should be prepared to bear.

- B. FNG's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis FNG must have access to current/new market information. FNG has no control over the dissemination rate of market information; therefore, unbeknownst to FNG, certain analyses may be compiled with outdated market information, severely limiting the value of FNG's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

FNG primarily uses mutual funds and exchange traded funds. The risks with mutual funds include the costs and expenses within the fund that can impact performance, change of managers, and fund straying from its objective. Open ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day. ETFs are directly affected by the market and prices will fluctuate throughout the trading day and there may be limitations on trading depending on the market.

- C. Currently, FNG primarily allocates client investment assets among mutual funds and/or ETFs, on a discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

FNG has not been the subject of any disciplinary actions.

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

- A. As disclosed above in Item 5.E, certain of FNG's representatives are also registered representatives of *Royal*, an SEC registered and FINRA member broker-dealer. **Please Note:** No owner, Officer, or Director of FNG serves as a registered representative or is, in any way, affiliated with *Royal*.
- B. Neither FNG, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

C.

**Registered Representatives of Royal.** As disclosed above in Item 5.E, certain of FNG's representatives, are registered representatives of *Royal*, an SEC Registered and FINRA member broker-dealer. Clients may choose to engage certain of FNG's representatives, in their individual capacities, as registered representatives of *Royal*, to implement investment recommendations on a commission basis. Please Note: No owner, Officer, or Director of FNG serves as a registered representative or is, in any way, affiliated with *Royal*.

**Licensed Insurance Agents.** Certain of FNG's representatives in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of FNG's representatives to purchase insurance products on a commission basis.

- **Conflict of Interest:** The recommendation by certain of FNG's representatives that a client purchase a securities or insurance commission product presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from FNG's representatives. Clients are reminded that they may purchase securities or insurance products recommended by FNG through other non-affiliated broker-dealers or insurance agents. **FNG's Chief Compliance Officer, Julie Seifert, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

D. FNG does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

A. FNG maintains an investment policy relative to personal securities transactions. This investment policy is part of FNG's overall Code of Ethics, which serves to establish a standard of business conduct for all of FNG's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, FNG also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by FNG or any person associated with FNG.

- B. Neither FNG nor any related person of FNG recommends, buys, or sells for client accounts, securities in which FNG or any related person of FNG has a material financial interest.
- C. FNG and/or representatives of FNG *may* buy or sell securities that are also recommended to clients. This practice may create a situation where FNG and/or representatives of FNG are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as

“scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if FNG did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of FNG’s clients) and other potentially abusive practices.

FNG has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of FNG’s “Access Persons.” FNG’s securities transaction policy requires that an Access Person of FNG must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date FNG selects; provided, however that at any time that FNG has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. FNG and/or representatives of FNG *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where FNG and/or representatives of FNG are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, FNG has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of FNG’s Access Persons.

## **Item 12            Brokerage Practices**

- A. In the event that the client requests that FNG recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct FNG to use a specific broker-dealer/custodian), FNG generally recommends that investment management accounts be maintained at *Royal*, *Ameritrade* and/or *Schwab*. Prior to engaging FNG to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with FNG setting forth the terms and conditions under which FNG shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that FNG considers in recommending *Royal*, *Ameritrade* and/or *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with FNG, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by FNG's clients shall comply with FNG's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where FNG determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although FNG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by

the designated broker-dealer/custodian are exclusive of, and in addition to, FNG's investment management fee. FNG's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Soft Dollar Arrangement.

In return for effecting securities transactions through a designated broker-dealer/custodian, FNG may receive certain investment research products or services which assist FNG in its investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft-dollar" arrangement). Investment research products or services received by FNG may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by FNG's clients shall comply with FNG's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where FNG determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although FNG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Although the investment research products or services that may be obtained by FNG will generally be used to service all of FNG's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or services obtained by FNG that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, FNG shall make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to FNG's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by FNG with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, FNG's investment management fee.

**FNG's Chief Compliance Officer, Julie Seifert, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

TD Ameritrade Institutional Advisor Program

FNG participates in the Institutional Advisor Program (the "*Program*") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of *Ameritrade*, an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions.



Advisor receives some benefits from *TD Ameritrade* through its participation in the *Program*.

FNG may recommend *TD Ameritrade* to clients for custody and brokerage services. There is no direct link between FNG's participation in the *Program* and the investment advice it gives to its clients, although FNG receives economic benefits through its participation in the *Program* that are not typically available to *TD Ameritrade* retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing research, technology, and practice management products or services provided to FNG by third party vendors. *TD Ameritrade* may also have paid for business consulting and professional services received by FNG. Some of the products and services made available by *TD Ameritrade* through the *Program* may benefit FNG but may not benefit its client accounts. These products or services may assist FNG in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help FNG manage and further develop its business enterprise. *TD Ameritrade* may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for FNG's representatives to attend conferences or meetings relating to the *Program* or to *TD Ameritrade's* advisor custody and brokerage services generally. The benefits received by FNG or its representatives through participation in the *Program* do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by FNG or its representatives in and of itself creates a potential conflict of interest and may indirectly influence FNG's recommendation of *TD Ameritrade* for custody and brokerage services.

**FNG's Chief Compliance Officer, Julie Seifert, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

#### **Operations Panel Participation Disclosure.**

Registrant serves on the TD Ameritrade Institutional Operations Panel ("Panel"). The Panel consists of approximately twenty-four independent investment advisors that advise TD Ameritrade Institutional ("TDA Institutional") on issues relevant to the independent advisor and their experience with TD Ameritrade's service, technology and products.. The Panel meets in person on average three to four times per year and conducts periodic conference calls on an as needed basis. Investment advisors are appointed to serve on the Panel for a three year terms by TDA Institutional sales, service and senior management. An investment advisor may serve longer than three years if appointed to additional terms by TDA Institutional senior management. At times, Panel members are provided

confidential information about TDA Institutional initiatives. Panel members are required to sign confidentiality agreements. TD Ameritrade, Inc. ("TD Ameritrade") does not compensate Panel members. However, TD Ameritrade pays or reimburses Registrant for the travel, lodging and meal expenses Registrant incurs in attending Panel meetings. The benefits received by Registrant or its personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Registrant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Registrant's recommendation of TD Ameritrade for custody and brokerage services.

Research and Additional Benefits. Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, FNG may receive from *Royal, Ameritrade* and/or *Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist FNG to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by FNG may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by FNG in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist FNG in managing and administering client accounts. Others do not directly provide such assistance, but rather assist FNG to manage and further develop its business enterprise.

FNG's clients do not pay more for investment transactions effected and/or assets maintained at *Royal, Ameritrade* and/or *Schwab* as a result of this arrangement. There is no corresponding commitment made by FNG to *Royal, Ameritrade* and/or *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**FNG's Chief Compliance Officer, Julie Seifert, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

FNG does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements the client will negotiate terms and arrangements for their account with that broker-dealer, and FNG will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by FNG. As a result, client may pay higher commissions

or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs FNG to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through FNG.

**FNG's Chief Compliance Officer, Julie Seifert, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that FNG provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless FNG decides to purchase or sell the same securities for several clients at approximately the same time. FNG may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among FNG's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. FNG shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

- A. For those clients to whom FNG provides investment advisory services, account reviews are conducted on an ongoing basis by FNG's Principals and representatives. All investment advisory clients are advised that it remains their responsibility to advise FNG of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with FNG on an annual basis.
- B. FNG *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. FNG may also provide a written periodic report summarizing account activity and performance.

## Item 14      Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, FNG may receive an indirect economic benefit from *Royal, Ameritrade* and/or *Schwab*. FNG, without cost (and/or at a discount), may receive support services and/or products from *Royal, Ameritrade* and/or *Schwab*.

FNG's clients do not pay more for investment transactions effected and/or assets maintained at *Royal, Ameritrade* and/or *Schwab* as a result of this arrangement. There is no corresponding commitment made by FNG to *Royal, Ameritrade* and/or *Schwab* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**FNG's Chief Compliance Officer, Julie Seifert, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. FNG may receive client referrals from *TD Ameritrade* through its participation in TD Ameritrade AdvisorDirect ("AdvisorDirect"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, FNG may have been selected to participate in AdvisorDirect based on the amount and profitability to *TD Ameritrade* of the assets in, and trades placed for, client accounts maintained with *TD Ameritrade*. *TD Ameritrade* is a discount broker-dealer independent of and unaffiliated with FNG and there is no employee or agency relationship between them. *TD Ameritrade* has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. *TD Ameritrade* does not supervise FNG and has no responsibility for FNG's management of client portfolios or FNG's other advice or services. FNG pays *TD Ameritrade* an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to FNG ("Solicitation Fee"). FNG will also pay *TD Ameritrade* the Solicitation Fee on any advisory fees received by FNG from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired FNG on the recommendation of such referred client. FNG will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to *TD Ameritrade* to its clients. For information regarding additional or other fees paid directly or indirectly to *TD Ameritrade*, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

FNG's participation in AdvisorDirect raises potential conflicts of interest. *TD Ameritrade* will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at *TD Ameritrade* and whose client accounts are profitable to *TD Ameritrade*. Consequently, in order to obtain client referrals from *TD Ameritrade*, FNG may have an incentive to recommend to clients that the assets under management by FNG be held in custody with *TD Ameritrade* and to place transactions for client accounts with *TD Ameritrade*. In addition, FNG has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from *TD Ameritrade* or to establish brokerage or custody accounts at other custodians, except

when its fiduciary duties require doing so. FNG's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

## **Item 15           Custody**

FNG shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. FNG may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that FNG provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by FNG with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of FNG's advisory fee calculation.

## **Item 16           Investment Discretion**

The client can determine to engage FNG to provide investment advisory services on a discretionary basis. Prior to FNG assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming FNG as the client's attorney and agent in fact, granting FNG full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage FNG on a discretionary basis may, at anytime, impose restrictions, **in writing**, on FNG's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe FNG's use of margin, etc.).

## **Item 17           Voting Client Securities**

- A. FNG does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact FNG to discuss any questions they may have with a particular solicitation.

## **Item 18           Financial Information**

- A. FNG does not solicit fees of more than \$1,200, per client, six months or more in advance.

- B. FNG is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. FNG has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: FNG's Chief Compliance Officer, Julie Seifert, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**