

Young Capital Management, Inc.

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March 5, 2012

This Brochure provides information about the qualifications and business practices of Young Capital Management, Inc. If you have any questions about the contents of this Brochure, please contact us at (480) 837-7507 or via email at ycm@cybervault.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.

Young Capital Management, Inc. is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain them. Additional information about Young Capital Management, Inc. is also available on the SEC's web site at www.adviserinfo.sec.gov.

Item 1 - Material Changes

Our last update was filed in March 2011. Pursuant to new SEC rules, we have submitted the paperwork to become registered as an Investment Adviser with the State of Arizona Securities Division. Once registration with the State of Arizona is approved, we will withdraw our SEC registration. We have added the “Requirements for State Registered Advisers” and updated the “Advisory Business Introduction” sections to reflect our new registration status and comply with applicable Arizona regulations.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year which is December 31st. We will provide other ongoing disclosure information about material changes as necessary. We will also provide you with a new Brochure, as necessary, based on changes or new information. Currently, our Brochure may be requested at any time, without charge, by contacting Richard Mitchell Gilpin Young (Mitchell Young) at (480) 837-7507.

Additional information about Young Capital Management, Inc. is also available via the SEC’s web site www.adviserinfo.sec.gov. You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Young Capital Management, Inc. is 107448. The SEC’s web site also provides information about any persons affiliated with Young Capital Management, Inc. who are registered, or are required to be registered, as investment adviser representatives of Young Capital Management, Inc.

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Item 4 - Advisory Business Introduction

Young Capital Management, Inc. is a Registered Investment Adviser (Adviser) which offers investment advice, securities, insurance, and other financial services to clients. We are registered through and regulated by the Arizona Securities Division.

We provide investment advice through investment adviser representatives (“advisor”) associated with Young Capital Management, Inc. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on behalf of Young Capital Management, Inc. Individuals are required at a minimum to have a college education and business experience in finance. Our advisors must also meet the standards for all continuing education requirements.

Young Capital Management, Inc. was founded in 1990 by Mitchell Young who serves as a President and Chief Compliance Officer. We provide portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, and small businesses and institutional clients. We are committed to the precept that by identifying smart investment opportunities, educating clients and placing their interests first, we will add value to the asset management process and earn the client’s trust and respect. We value long term relationships with our clients whom we regard as strategic partners in our business. Our goal is to be your trusted personal financial trainer.

Services

We provide various asset management and financial planning services, with an emphasis on investment management including stocks, mutual funds, bonds, insurance products, CDs, treasury securities, municipal securities, options contracts, retirement and pension planning. Our focus is on helping you develop and execute plans that are designed to build and preserve your wealth.

As of 12/31/2011, we provided asset management services for 150 accounts and manage total assets of \$30,000,000.00. The breakdown between discretionary versus non- discretionary is as follows:

Authority	Number of Accounts	Assets Under Management
Discretionary	145	\$ 28,000,000.00
Non-Discretionary	5	\$ 2,000,000.00
Total	150	\$30,000,000.00

This majority of the accounts are managed on a discretionary basis which means, you have given us the authority to make investment decisions on your account without your prior authorization. More specifically, you have given us the authority to determine the following without your consent:

- Securities to be bought or sold for your account

- Amount of securities to be bought or sold for your account

If you have not given us discretion, we will not transact any business in your account without your permission. However, trading may be required to meet initial allocation targets, after substantial cash deposits that require investment allocation, and/or after a request for a withdrawal that requires liquidation of a position. Additionally, your account may be rebalanced or reallocated periodically in order to reestablish the targeted percentages of your initial asset allocation. This rebalancing or reallocation will occur on the schedule we have determined together. You will be responsible for any and all tax consequences resulting from any rebalancing or reallocation of the account. We are not tax professionals and do not give tax advice. However, we will work with your tax professionals to assist you with tax planning. You will have the opportunity to meet with us periodically to review the assets in your account.

1. Financial Planning

We perform general financial planning as an incidental service as it relates to the investment management of your portfolio. In performing financial planning services, we typically examine and analyze your overall financial situation, which may include such issues as taxes, insurance needs, overall debt, credit, business planning, retirement savings and current investment program. Our services may focus on all or only one of these services depending upon the scope of our engagement with you.

2. Asset Management

With an Asset Management Account, you engage us to assist you in developing a personalized asset allocation program and custom-tailored portfolio designed to meet your investment objectives. Asset management is the professional management of securities and assets (e.g., real estate) in order to meet your specified investment goals. The recommended portfolio may include various securities such as mutual funds, exchange traded funds, debt instruments, foreign securities, municipal securities, individual equity securities, and option contracts. We also offer advice on other products such as variable life sub-accounts and variable annuities sub-accounts.

We will meet with you to discuss your financial circumstances, investment goals and objectives, and to determine your risk tolerance. We will recommend an appropriate asset allocation or investment strategy. Our recommendation and ongoing management is based upon your investment goals and objectives, risk tolerance, and the investment portfolio you have selected. We will monitor the account, trade as necessary, and communicate regularly with you. Your circumstances shall be monitored in quarterly and annual account reviews. These reviews will be conducted in person, by telephone conference, and/or via a written inquiry/questionnaire. We will work with you on an ongoing basis to evaluate your asset allocation as well as rebalance your portfolio to keep it in line with your goals as necessary. We will be reasonably available to help you with questions about your account. You will also receive our Advisory Agreement which describes what services you will receive and what fees you will be charged.

Certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy in determining your asset allocation. However, past performance is not an indication of future performance.

You can expect us to do the following:

- Review your present financial situation
- Monitor and track assets under management
- Provide portfolio statements, periodic rate of return reports, asset allocation statement, rebalanced statements as needed
- Advise on asset selection
- Determine market divisions through asset allocation models
- Provide research and information on performance and fund management changes
- Build a risk management profile for you
- Assist you in setting and monitoring goals and objectives
- Provide personal consultations upon your request or as needed

You must notify us promptly when your financial situation, goals, objectives, or needs change.

You will have the ability to impose reasonable restrictions on the management of your account, including the ability to instruct us not to purchase certain mutual funds, stocks or other securities. These restrictions may be a specific company security, industry sector, asset class, or any other restriction you request.

Under certain conditions, securities from outside accounts may be transferred into your advisory account. However, we may recommend that you sell any security if we believe that it is not suitable for the current recommended investment strategy. You are responsible for any taxable events in these instances.

If you decide to implement our recommendations, we will help you open a custodial account(s). We recommend using Charles Schwab (Schwab) as the Broker-dealer/custodian, based upon their level of service and cost structure. You will enter into a separate custodial agreement with Schwab. This agreement, with your consent, gives Schwab permission to take direction from us regarding investment decisions for your account. We will select the securities bought and sold and the amount to be bought and sold, within the parameters of the objectives and risk tolerance of your account. Charles Schwab is authorized and directed to effect transactions, deliver securities, make payments and do what we instruct. You are notified of any purchases or sales through trade confirmations and monthly statements that are provided by Charles Schwab. You will at all times maintain full and complete ownership rights to all assets held in your account, including the right to withdraw securities or cash, proxy voting and receiving transaction confirmations.

Depending on the frequency of activity in your account, you will receive, either a monthly or quarterly statement from your custodian containing a description of all the activity in your account, your current positions, cost basis of securities, and current market value. The statement may be in either printed or electronic form based upon your preferences.

3. Other Services

We are available to assist you with the following:

- Sales of life insurance
- Second opinion of your existing portfolio
- Consulting on an hourly basis

Through Ironwood Realty, LLC, our advisors may also help you with selling, exchanging, purchasing, renting, or leasing of real estate

Item 5 - Fees and Compensation

We provide asset management and financial planning services for a fee. The investments in the portfolio account may include mutual funds, stocks, bonds, variable life insurance sub-accounts, etc. We are paid a fee to manage these assets. The fee will be a percentage based on the market value of all assets in the account on the last trading day of each calendar quarter. Mutual fund assets and other investment companies ("funds") will be included in calculating the value of the account for the purpose of computing this fee. Please note you will also be responsible for paying additional advisory and other fees and expenses on these mutual fund assets/investment company funds, as set forth in the prospectuses of those funds. These fees are separate from the fees that we assess for these particular investments. Services similar to those offered by us may be available elsewhere for more or less than the amounts we charge.

When determining the value of the account, we will use the closing price on the principal market where the securities are traded on the date we are valuing the account. Other securities or investments in your account that are not listed on a national exchange will be valued to reflect a fair market value in good faith by us.

Our Investment Management Agreement defines what fees are charged and their frequency. Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses. You may incur certain charges imposed by custodians, brokers, third party investment companies and other third parties. These include fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, money market funds and exchange traded funds also charge internal management fees, which are disclosed in the fund's prospectus. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. All such fees are in addition to our management fee. You should review all fees charged to fully understand the total amount of fees you will pay.

You could invest in a mutual fund directly, without our services. In that case, you would not receive the services provided by us which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate to your financial condition and objectives.

Our Advisory Agreement/Financial Planning Agreement defines what fees are charged and their frequency. We usually bill fees on in arrears on a quarterly basis. You have two options for paying these fees:

- We will bill you directly for the advisory fee. You must agree to pay the fees within 30 days of receipt of the bill.
- You may authorize Charles Schwab to deduct the management fee from your account and pay us directly. We will send you and Charles Schwab a bill showing the amount of the management fee that is due. The bill will also include the account value for which the fee is based and how the fee was calculated. In addition, Charles Schwab will send you a quarterly statement showing all amounts paid from your account which will also include all management fees paid by Charles Schwab to us.

Either party may terminate the initial agreement at any time by providing written notice to the other party. You will incur charges for advisory or consulting services rendered up to the point of termination and such fees will be due and payable by you in a timely manner once billed. If any refunds are applicable, they will be given on a pro-rata basis. Accounts opened or terminated during a calendar quarter will be charged a prorated fee. Any action taken under the agreement by us prior to the termination of the agreement will still be valid after the agreement is terminated. We are still bound by any liabilities or obligations for transactions initiated before termination of this agreement. Once the agreement is terminated, we will have no obligation to recommend or take any action with regard to the securities, cash or other investments in your account.

1. Financial Planning/Consulting Fees

We provide financial planning that is incidental to your asset management plan. We do not charge a separate fee for this service; it is part of your overall wealth management program.

2. Asset Management Fee Schedule

There is no minimum to open an account with us. However, Schwab may have a minimum account opening balance. The fee charged by us is based upon the amount of money you invest. You will pay fees quarterly, in arrears, on the back-end. The management fee will be prorated based on the number of days that the account was actually open during any partial calendar quarters. Payments are due and will be assessed on the last trading day of each quarter, based on the ending balance of the account under management for the preceding quarter and be calculated as follows:

Percentage	Portfolio Size (AUM)
1.00%	\$0-\$1,000,000.00
½ of 1.00%	Above \$1,000,000.00

The fees shown above are annual fees. You will be billed one quarter of this amount on a quarterly basis. Under certain circumstances, advisory fees and account minimums may be negotiable based upon prior relationships as well as related account holdings. A flat fee may also be negotiated as long as it does not exceed the fee schedule above. If a flat fee is negotiated, that fee will be listed in your Advisory Agreement.

Under certain circumstance there may be a performance based fee for your account as well. This fee will be fully disclosed to you in your Advisory agreement.

No increase in the annual fee shall be effective without prior written notification to you. We believe our advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

Your account may also be charged for certain additional assets managed for you by us but not held by the custodian (i.e. variable annuities, mutual funds, 401(k) s). Accounts can be structured where you invest in assets that pay a commission, such as fixed annuities. They can also be structured where you use assets in your account that do not pay a commission. We will jointly determine the account structure and fees to be assessed.

Certain programs offered by us involve investment in mutual funds. Load and no load mutual funds may pay annual distribution charges, sometimes referred to as “12(b) (1) fees”. These 12(b) (1) fees come from fund assets, and thus indirectly the clients assets. The 12(b) (1) fee, deferred sales charges and other fee arrangements will be disclosed upon your request and are typically described in the applicable fund’s prospectus. We do not receive any compensation from these fees.

We must execute your transactions through a broker-dealer. We generally use Charles Schwab as the broker-dealer to execute these transactions and act as custodian for your assets. You are responsible for paying all fees or charges assessed by Charles Schwab for its custodial services. However, no fees will be charged for broker dealer transactions. We do not receive any additional compensation from these transactions. You are not required to implement our recommendations through these broker-dealers. You may select any broker-dealer or investment professional to implement the recommendations.

3. Other Fees

We may receive the normal commissions and/or other compensation from the sale of insurance securities or other products or services recommended in your wealth management program.

You may have isolated instances where you need additional assistance that is outside our scope of engagement. The usual fee for us to provide analysis or special projects is \$200.00 per hour which may be negotiable depending upon the nature and complexity of your circumstances. An estimate for total hours will be determined at the start of the advisory relationship.

Through Ironwood Realty, LLC, our advisors may also receive commissions on the selling, exchanging, purchasing, renting, or leasing of real estate

Item 6 - Performance Based Fee

In some cases, we have entered into performance based fee arrangements with qualified clients: such fees are subject to individualized negotiation with each client and are disclosed in Schedule A of the Investment Management Agreement.

We will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, we shall include realized and unrealized capital gains and losses.

Performance based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. We have procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 - Types of Client(s)

We provide portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, and small businesses and institutional clients.

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

The primary investment vehicle used by us is individual equities; however, we will seek out alternative investment options such as real estate, insurance and debt instruments. We use various methods in researching investments and believe in the importance of looking at both technical and fundamental analysis. We also believe in taking added risks and concentrating positions at times in the aim of achieving better returns for our clients.

1. Fundamental Analysis

We use the fundamental method of investment analysis for the selection of mutual funds. The process filters the potential number of mutual fund managers for their respective investment style.

Fundamental analysis serves to answer questions, such as:

- What is the size of the fund?
- Is the money manager or management team consistent in their investment style?
- Is the manager's performance consistent when compared to his peers?
- What is that manager's tenure with the fund?
- Are the internal costs competitive relative to other manager's in that style?

One of the primary objectives of fundamental analysis is to provide current analysis of funds we recommend, whether for selection or de-selection. We use a combination of qualitative and quantitative factors to try and find funds that will perform well in their investment style. We look at both investment performance (relative to the peer group and the market) and modern portfolio

statistics (like beta and standard deviation) to analyze the level of risk a manager takes to achieve those returns. When we are examining a fund, we will look at the fund's annual turnover, sector weightings and many other quantitative factors.

The end goal of performing fundamental analysis is to produce short list of funds, with the aim of figuring out what sort of position to take with those funds.

In order to perform this fundamental analysis, we use many resources, such as:

- Morningstar
- Financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.)
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Research materials prepared by others
- Company press releases
- Corporate rating services
- Company websites
- Inspections of corporate activities

2. Technical Analysis

Technical Analysis is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

In order to perform technical analysis, we use the following techniques:

- Calculate moving averages including ten, 50 and 200 day moving averages
- Stochastic oscillators, which incorporate support and resistance levels to determine momentum.
- Charting and chart patterns
- Supply and demand indicators
- Investor behavior and psychology

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Option writing, including covered, uncovered and spread option strategies

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. Past performance is not an indicator of future return.

Rather than limiting ourselves to any single analytical method, we look at both of these methods because we believe when they are used in conjunction, profitability may be increased.

Risks

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principle is always a risk. Investing in securities involves a risk of loss that you should be prepared to handle. You need to understand that investment decisions made for your account by us are subject to various market, currency, economics, political and business risks. The investment decisions we make for you will not always be profitable nor can we guarantee any level of performance. For a more comprehensive description of all the risks associated with our strategies, methodology, and products please refer to the glossary under Risks.

Item 9 - Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information to disclose here about the firm or any of our investment advisors. We adhere to high ethical standards for all advisors and associates. We strive to do what's in your best interests.

Item 10 - Other Financial Industry Activities and Affiliations

Mitchell Young, the President and Chief Compliance Officer for Young Capital Management, Inc., is a licensed insurance agent/broker with various companies. In his role as an insurance agent/broker, he may sell commissionable (non-variable) insurance products to you for which he may receive compensation from insurance companies. He may recommend and sell life insurance and will receive the usual and customary commissions.

Since our advisors may sell insurance and securities products and may receive compensation in the form of commissions for these sales, a conflict of interest may exist between our interests and yours. We may recommend particular products based upon the potential compensation rather than your needs. This potential conflict is prohibited by our Code of Ethics. We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interest of all the accounts we advise.

Mr. Young is also the designated broker for his own real estate brokerage company, Ironwood Realty, L.L.C. He does receive compensation from this company for sales of real estate. There does not appear to be any conflict of interest from this activity.

Item 11 - Code of Ethics

1. General Information

We have adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct, and fiduciary duty to you, our client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons at Young Capital Management, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

2. Participation or Interest in Client Accounts

We may recommend securities to you that we have purchased for our own accounts. We may trade securities in our account that we have recommended to you as long as we place our orders after your orders. This policy is meant to prevent us from benefiting as a result of transactions placed on behalf of advisory accounts.

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading
- Engaging in any fraudulent or deceitful act, practice or course of business
- Engaging in any manipulative practices
- Participating in Client accounts

You may request a copy of the firm's Code of Ethics by contacting Mitchell Young.

3. Personal Trading

We have established the following restrictions in order to ensure our fiduciary responsibilities to you are met:

- We shall not buy or sell securities for our personal portfolio(s) where this decision is substantially derived, in whole or in part, from our role as an Investment Advisory Representative of Young Capital Management, Inc., unless the information is also available to

the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of yours.

- We emphasize your unrestricted right to decline to implement any advice rendered.

However, some securities trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with our records as required.

In addition, open-end mutual funds and/or investment sub-accounts which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value. Therefore, purchases of mutual funds and/or variable insurance products by an advisor are not likely to have an impact on the prices of the fund in which you invest. These types of transactions are not prohibited by our policies and procedures.

Certain affiliated accounts may trade in the same securities with your accounts on an aggregated basis when consistent with our obligation of best execution. When trades are aggregated, all parties will share the costs in proportion to their investment. We will retain records of the trade order (specifying each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

4. Responsibility

It is the responsibility of all supervisory personnel to ensure that we conduct business with the highest level of ethical standards and in keeping with our fiduciary duties to you. We must put your interests first and refrain from having outside interests that conflict with your interests.

5. Privacy Statement

We are committed to safeguarding your confidential information and hold all personal information provided to it in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we deal with to restrict the use of your information. Our Privacy Policy is available upon request.

6. Conflicts of Interest

We have a duty to disclose potential and actual conflicts of interest. We have a duty to report potential and actual conflicts of interest to the Company. Gifts (other than de minimis gifts, which are usually defined as having a value under \$100.00) should not be accepted from persons or entities doing business with us.

Performance based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts. We have procedures to help ensure that you are treated fairly and equally, and to

prevent this conflict from influencing the allocation of investment opportunities among clients. Our policies and procedures require our CCO to monitor for such activity to ensure we do what is in your best interests.

Mitchell Young employs the same strategy for his personal investment account as he does for his clients. However, he does not place his orders in a way to benefit from the purchase or sale of a security. We have a tendency to acquire and sell large, liquid companies and this is not believed to create a conflict of interest if the same securities are bought and sold in our own account. Such trading is done on our own accounts and not as part of any block trades for you, the client.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interest of all the accounts we advise.

7. Use of Disclaimers

We shall not attempt to limit liability for willful misconduct or gross negligence through the use of disclaimers.

8. Suitability

We shall only recommend those investments that we believe are suitable for you based upon your particular situation and circumstances. In addition, you must notify us of any significant changes in your situation or circumstances so that we can respond appropriately.

Item 12 - Brokerage Practices

1. Soft Dollars

We may receive access to product research, services, technology and other educational information to help us operate efficiently, grow our business and deliver exceptional service to clients. Schwab Adviser Services may provide some or all of these services. No client is charged for these services and the information received may be used to benefit all our clients, not just the ones custodied at Schwab. However we receive a benefit from these services since we do not have to produce or pay for the research, products or services.

Schwab provides us 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. Schwab's brokerage services include the execution of securities transactions, 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 our 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 settle into Schwab accounts.

Schwab also provides us access to products and services that benefit us but may not benefit your accounts. Some of these other products and services assist us in managing and administering your accounts. These include software and other technology that provide access to your account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of our fees from our your accounts, and assist with back office functions, record keeping and client reporting. Many of these services generally may be used to service all or a substantial number of our accounts, including accounts not maintained at Schwab.

Schwab also makes available to us other services intended to help us manage and further develop our business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to us. Schwab Advisor Services 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 us. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers 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.

As a fiduciary, we endeavor to act in our clients' best interests and our requirement that clients maintain their assets in accounts at Schwab or another custodian may be based in part on the benefit to us 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 the custodian, which may create a potential conflict of interest. We may have an incentive to select or recommend them based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution. We monitor for this and do periodic evaluations of other providers to determine that we are selecting firms based on the factors listed under the section "Best Execution" rather than just on our desire to have the other research and services.

Additional Compensation

We do not receive any compensation for brokerage trades. Schwab retains all fees and charges you make pay to execute trades in your account. Our advisors may receive additional compensation for sales of insurance products only.

Research

We also use publically available research and reports regarding individual securities, issuers, investment strategies and performance of asset classes to select the investments we will offer.

2. Brokerage for Client Referrals

We do not receive any compensation or incentive for referring you to certain broker-dealers for brokerage trades.

3. Directed Brokerage

Not all advisory firms require you to direct brokerage to a specific broker-dealer. If requested, we will arrange for the execution of securities brokerage transactions for your account through Schwab; who we reasonably believe will provide “best execution.” In seeking best execution, the determinative factor is not the lowest possible commission 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. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions. As broker-dealer, Schwab executes trades, collects and disburses 12b-1 fees, collects, disburses and refunds asset management fees, prepares quarterly performance reports and provides operations support. Schwab receives percentages of 12B-1 fees and asset management fees in exchange for these services.

By directing brokerage to Schwab you may pay higher fees or transaction costs than those obtainable by other broker-dealers. In most cases, we believe you are paying a discounted and reasonable rate. You may pay higher or lower fees if you select another broker-dealer. Generally, we will not negotiate lower rates below the rates established by the executing broker-dealer for this type of directed brokerage account, unless we believe that such rate is unfair or unreasonable for the size and type of transaction. We believe that Schwab pays industry standard commissions on transactions they handle for us. These commissions are reasonable and customary.

We will generally place your trades individually through your accounts unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commission or other transaction costs. Under this procedure, transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

We do not direct trades to other custodians or broker-dealers unless otherwise instructed by you. You may instruct us, in writing, to use any broker -dealer of your choice. If so, we will negotiate terms and arrangements for the account with that broker or dealer, but we will not seek better execution services or prices from other broker or dealers or be able to “batch” Client transactions for execution of orders. As a result, you may pay higher commissions or receive less favorable net prices on transactions.

If you direct us to another broker-dealer, you may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices. We will not be able to negotiate better terms for you with other broker-dealers.

Item 13 - Review of Accounts

1. Duty to Supervise

We are responsible for ensuring adequate supervision over the activities of all persons who act on our behalf. Specific duties include:

- Establish procedures that could be reasonably expected to prevent and detect violations of law by our Advisory personnel
- Analyze operations and create a system of controls to ensure compliance with applicable securities laws
- Ensure that all Advisory personnel fully understand the Company's policies and procedures
- Establish a review system designed to provide reasonable assurance that the Company's policies and procedures are effective and being followed

2. Reviews

Mitchell Young, President and Chief Compliance Officer, conducts reviews no less than monthly. Monthly reviews are based on the inspection of brokerage account statements.

You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, we will monitor for changes and shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections. You should notify us promptly of any changes to your financial goals, objectives or financial situation as such changes may require us to review your portfolio and make recommendations for changes.

3. Reports

Depending on the frequency of activity on your account, your custodian will provide you with monthly or quarterly account statements reflecting the transactions occurring in the account. These statements will be written or electronic depending upon what you selected when you opened the account. You will be provided with paper confirmations for each securities transaction executed in the account.

In addition, you may receive quarterly and annual written statements from us. These statements will include detailed information regarding the assets in your account such as purchase date, cost of the security, the current market value, and performance data for the quarter or year. If the account has not been open for at least a year, this information will be provided as of the opening of the account.

Item 14 - Client Referrals and Other Compensation

We do not receive any compensation for referring clients to another advisor nor do we pay any compensation from another advisor for them referring clients to us.

Item 15 - Custody

We do not have custody of any accounts. However, we may be deemed to have custody of your accounts if we have the ability to deduct your quarterly fees from the custodian. We use Charles Schwab as the custodian and/or broker-dealer for all your accounts. Charles Schwab was chosen based upon their reputation and the quality of the trade execution, adequate execution capabilities, and access to a diverse number of securities in the markets. You should receive at least quarterly statements from the broker-dealer or custodian that holds and maintains your investment assets. You may also be provided with statements from us. We urge you to carefully review such statements and compare this official custodial record to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. If you notice any discrepancies, please contact Mitchell Young.

We do not debit the client fees directly from your advisory account. Only the custodian has the authority to directly charge and debit the advisory to your account, which is then forwarded to us. The Custodian will provide you immediate transaction confirmations and monthly statements, either by mail or electronically per your request. Monthly statements list the total value of the account at the start and end of the month and itemize all transactions and security positions. For taxable accounts, the Custodian will provide you consolidated year-end summary statements including IRS forms 1099 and other tax-related forms, as applicable. We are not allowed to make alterations or amendments to the custodian's statement. This preserves the integrity of the Custodian's statement and provides you with an independent appraisal of the account.

Item 16 - Investment Discretion

We usually receive discretionary authority from you at the beginning of an advisory relationship to select the identity and amount of securities to be bought or sold. This information is described in the Advisory Agreement you sign with us. In all cases, however, this discretion is exercised in a manner consistent with your stated investment objectives for your account.

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

Investment guidelines and restrictions must be provided to us in writing.

Item 17 - Voting Client Securities

As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory clients. You retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. We may provide advice to you regarding your voting of proxies. We are authorized to instruct the Custodian to forward to the client copies of all proxies and shareholder communications relating to the account assets.

Item 18 - Financial Information

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

Item 19 - Requirements for State Registered Advisers

There is one principal of Young Capital Management, Inc. , Mitchell Young. His information is as follows:

Richard Mitchell Gilpin Young

Position

President and Chief Compliance Officer (“CCO”)

Date of Birth

1958

Education

Diploma	1976
Mingus Union High School	Cottonwood, AZ

Bachelor of Science in Finance	1980
Arizona State University	Tempe, AZ

Business History

September, 1990 – present	President of Young Capital Management, Inc.
August, 2003 – present	Owner of Ironwood Realty, LLC.
December, 1982 – September, 1990	Stockbroker at Wedbush Morgan Securities
May, 1982 – December, 1982	Stockbroker at Raucher Pierce Refsnes (Dain Rauscher)
December, 1980 – May, 1982	Senior Marketing Representative at Xerox Corporation

Disciplinary Information

Mitchell Young does not have any disciplinary history to disclose.

Other Business Activities

As noted in item 10 “Other Financial Industry Activities and Affiliations” above, Mitchell Young, the President and Chief Compliance Officer for Young Capital Management, Inc., is a licensed insurance agent/broker with various companies. In his role as an insurance agent/broker, he may offer commissionable (non-variable) insurance products to you for which he may receive compensation from insurance companies. He may recommend and sell life insurance and will receive the usual and customary commissions.

Mr. Young is also the designated broker for his own real estate brokerage company, Ironwood Realty, LLC

Additional Compensation

Mitchell will receive compensation from the sale of insurance products and real estate.

Supervision

Mitchell Young is the sole owner and employee and performs all supervisory duties for his firm.

Requirements for State-Registered Advisers

Mitchell Young has no reportable events to disclose here.

Philosophy and Specialty

Mitchell Young is focused on identifying investment opportunities that meet the needs of his clients. He believes strongly about educating his clients through quarterly newsletters, quarterly investment performance report cards and ongoing discussions about the merits of various investment strategies. Mitchell uses individual equities as the primary investment vehicle of choice; however, he also uses alternative investment options such as real estate, insurance, annuity and debt instruments.

Mitchell believes in the importance of looking at both technical and fundamental analysis and in taking additional risks, and concentrating positions, when appropriate, in the aim of achieving better returns for his clients. Mitchell believes the client's best interest is his best interest.

Glossary of Key Terms and Investment Terms

Adviser – Young Capital Management, Inc.

advisor – Your individual representative at Young Capital Management, Inc.

Asset Allocation – The process of dividing investments among different kinds of assets, such as stocks, bonds, real estate and cash, to optimize the risk/reward tradeoff based on an individual's or institutions specific situation and goals; a key concept in financial planning and money management.

Asset-class investment portfolios – An asset class is a grouping of similar investments whose prices tend to move together. Asset classes can be defined on a very general level, such as stocks or on a more specific level, such as American silver producing companies. The concept of asset classes is important because one of the goals when building an investment portfolio is to use different asset classes which are not correlated with each other.

Diversification – a portfolio strategy designed to reduce exposure to risk by combining a variety of investments, such as stocks, bonds, and real estate, which are unlikely to all move in the same direction. The goal of diversification is to reduce the risk in a portfolio. Volatility is limited by the fact that not all asset classes or industries or individual companies move up and down in value at the same time or at the same rate. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

Exchange-Traded Funds — A type of an investment company (either an open-end company or UIT) whose objective is to achieve the same return as a particular market index. ETFs differ from traditional open-end companies and UITs, because, pursuant to SEC exemptive orders, shares issued by ETFs trade on a secondary market and are only redeemable from the fund itself in very large blocks (blocks of 50,000 shares for example).

Expense Ratio — the fund's total annual operating expenses (including management fees, distribution (12b-1) fees, and other expenses) expressed as a percentage of average net assets.

Fees— a list of all fees associated with different products we offer are listed below:

1. **12b-1 Fees** — Fees paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes to cover the costs of providing shareholder services. "Distribution fees" include fees to compensate brokers and others who sell fund shares and to pay for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. "Shareholder Service Fees" are fees paid to persons to respond to investor inquiries and provide investors with information about their investments.
2. **Account Fee**— A fee that some funds separately impose on investors for the maintenance of their accounts. For example, accounts below a specified dollar amount may have to pay an account fee.

3. **Distribution Fees** — Fees paid out of fund assets to cover expenses for marketing and selling fund shares, including advertising costs, compensation for brokers and others who sell fund shares, and payments for printing and mailing prospectuses to new investors and sales literature prospective investors. Sometimes referred to as "12b-1 fees."
4. **Management Fee** — fee paid out of fund assets to the fund's investment adviser or its affiliates for managing the fund's portfolio, any other management fee payable to the fund's investment adviser or its affiliates, and any administrative fee payable to the investment adviser that are not included in the "Other Expenses" category. A fund's management fee appears as a category under "Annual Fund Operating Expenses" in the Fee Table.
5. **Operating Expenses** — the costs a fund incurs in connection with running the fund, including management fees, distribution (12b-1) fees, and other expenses.
6. **Purchase Fee** — a shareholder fee that some funds charge when investors purchase mutual fund shares. Not the same as (and may be in addition to) a front-end load.
7. **Redemption Fee** — a shareholder fee that some funds charge when investors redeem (or sell) mutual fund shares. Redemption fees (which must be paid to the fund) are not the same as (and may be in addition to) a back-end load (which is typically paid to a broker). The SEC generally limits redemption fees to 2%.
8. **Sales Charge (or "Load")** — the amount that investors pay when they purchase (front-end load) or redeem (back-end load) shares in a mutual fund, similar to a commission. The SEC's rules do not limit the size of sales load a fund may charge, but FINRA rules state that mutual fund sales loads cannot exceed 8.5% and must be even lower depending on other fees and charges assessed.
9. **Shareholder Service Fees** — fees paid to persons to respond to investor inquiries and provide investors with information about their investments. See also "12b-1 fees."

Index Fund — describes a type of mutual fund or Unit Investment Trust (UIT) whose investment objective typically is to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, the Russell 2000 Index, or the Wilshire 5000 Total Market Index.

Institutional Client — large corporations in any line of business, financial institutions of any size, as well as wealthy clients who have assets over 100 million.

Insurance Agent — an insurance company's representative. The agent's primary alliance is with the insurance carrier to sell their products, not the insurance buyer.

Insurance Broker — An insurance broker is typically a company/business. They “shop around” for competitive pricing on life insurance products for their customers based on their needs. A broker typically has no contractual agreements with insurance carriers. They rely on common or direct business transactions with insurance carriers.

Intrinsic Value — it is the actual value of a security/asset as opposed to the market or book value (what investors are willing to pay for the security/asset). Similarly, it is the actual value of a company based on all aspects of the business, in terms of both tangible and intangible assets. It is typically calculated by

summing the future income generated by the asset or company and subtracting it from its present value.

Investment Adviser — generally, a person or entity who receives compensation for giving individually tailored advice to a specific person on investing in stocks, bonds, or mutual funds. Some investment advisers also manage portfolios of securities, including mutual funds.

Investment Company — a company (corporation, business trust, partnership, or limited liability company) that issues securities and is primarily engaged in the business of investing in securities. The three basic types of investment companies are mutual funds, closed-end funds, and unit investment trusts.

Investment Discretion — This means you have given us authority to determine what securities or other assets to purchase or sell on behalf of the account without your prior consent.

Investment Goals — objective or target, usually driven by specific future financial needs. Some common goals for an individual are: saving for a comfortable retirement, saving to send children to college, managing finances to enable a home purchase, minimizing taxes, and maximizing return on investments given a certain risk tolerance, and estate or trust planning.

Investment Objectives — The financial goal or goals of an investor. An investor may wish to maximize current income, maximize capital gains, or set a middle course of current income with some appreciation of capital. Defining investment objectives helps to determine the investments an individual should select.

Margin — borrowing money (usually using securities you already own as collateral) that is used to purchase securities

Mutual Fund — the common name for an open-end investment company. Like other types of investment companies, mutual funds pool money from many investors and invest the money in stocks, bonds, short-term money-market instruments, or other securities. Mutual funds issue redeemable shares that investors purchase directly from the fund (or through a broker for the fund) instead of purchasing from investors on a secondary market.

NAV (Net Asset Value) — the value of the fund's assets minus its liabilities. SEC rules require funds to calculate the NAV at least once daily. To calculate the NAV per share, simply subtract the fund's liabilities from its assets and then divide the result by the number of shares outstanding.

No-load Fund — a fund that does not charge any type of sales load. But not every type of shareholder fee is a "sales load," and a no-load fund may charge fees that are not sales loads. No-load funds also charge operating expenses.

Open-End Company — the legal name for a mutual fund. An open-end company is a type of Investment Company

Option Contracts — the right, but not the obligation, to buy (for a call option) or sell (for a put option) a specific amount of a given stock, commodity, currency, index, or debt, at a specified price (the strike price) during a specified period of time. For stock options, the amount is usually 100 shares. Each option contract has a buyer, called the holder, and a seller, known as the writer. If the option contract is exercised, the writer is responsible for fulfilling the terms of the contract by delivering the shares to the appropriate party. In the case of a security that cannot be delivered such as an index, the contract is settled in cash. For the holder, the potential loss is limited to the price paid to acquire the option. When an option is not exercised, it expires. No shares change hands and the money spent to purchase the option is lost. For the buyer, the upside is unlimited. Option contracts, like stocks, are therefore said to have an asymmetrical payoff pattern. For the writer, the potential loss is unlimited unless the contract is covered, meaning that the writer already owns the security underlying the option. Option contracts are most frequently used as either leverage or protection. As leverage, options allow the holder to control equity in a limited capacity for a fraction of what the shares would cost. The difference can be invested elsewhere until the option is exercised. As protection, options can guard against price fluctuations in the near term because they provide the right to acquire the underlying stock at a fixed price for a limited time. Risk is limited to the option premium (except when writing options for a security that is not already owned). However, the costs of trading options (including both commissions and the bid/ask spread) is higher on a percentage basis than trading the underlying stock. In addition, options are very complex and require a great deal of observation and maintenance.

Portfolio — an individual's or entity's combined holdings of stocks, bonds, or other securities and assets.

Profile — summarizes key information about a mutual fund's costs, investment objectives, risks, and performance. Although every mutual fund has a prospectus, not every mutual fund has a profile.

Prospectus — describes the mutual fund to prospective investors. Every mutual fund has a prospectus. The prospectus contains information about the mutual fund's costs, investment objectives, risks, and performance. You can get a prospectus from the mutual fund company (through its website or by phone or mail). Your financial professional or broker can also provide you with a copy.

Real Estate Broker — any entity (person, partnership, association, limited liability company, limited liability partnership, or foreign or domestic corporation) who for a fee sells, offers, lists, buys, exchanges, purchases, rents, or leases, or negotiates the sale, exchange, purchase, rental, or leasing of any real estate.

Risks — a list of all risks associated with the strategies, products and methodology we offer are listed below:

1. Fundamental Analysis Risk

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the performance of a mutual fund over time. These can include economic, political and social factors, in addition to the various internal costs and management changes.

- When using this method with mutual funds, the funds are composed of many companies and not all of them will be undervalued
- The data used may be out of date.
- It is difficult to give appropriate weightings to the factors.
- It assumes that the data sources are reliable.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- Even when fundamental analysis reveals a fund with high growth prospects, it does not tell us anything about the future direction the manager may take the fund. In other words, we may have discovered a manager who has exhibited above average performance over a period of time only to find that performance cannot be repeated as the fund grows in size or without increasing the risk profile of the fund.

2. Mutual Funds Risk

Mutual funds can offer the advantages of diversification and professional management. But, as with other investment choices, investing in mutual funds involves risk and fees and taxes will diminish a fund's returns.

But mutual funds also have features that some clients might view as disadvantages, such as:

- **Costs despite Negative Returns** — Clients must pay sales charges, annual fees, and other expenses) regardless of how the fund performs. And, depending on the timing of their investment, clients may also have to pay taxes on any capital gains distribution they receive — even if the fund went on to perform poorly after they bought shares.
- **Lack of Control** — Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.
- **Price Uncertainty** — with an individual stock, you can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling your advisor. You can also monitor how a stock's price changes from hour to hour. But with a mutual fund, the price you purchase or redeem shares for will typically depend on the fund's NAV, which the fund might not calculate until many hours after you've placed your order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

The following is a list of some general risks associated with investing in mutual funds.

- **Country Risk** - The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.

- **Currency Risk** -The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- **Income Risk** - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- **Industry Risk** - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk** - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- **Manager Risk** -The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- **Market Risk** -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

3. Bond Fund Risk

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields of the risks associated with bond funds include:

- **Call Risk** - The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.
- **Credit Risk** — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.
- **Interest Rate Risk** — the risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- **Prepayment Risk** — the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

4. Stock Fund Risk

Although a stock fund's value can rise and fall quickly over the short term, historically stocks have performed better over the long term than other types of investments — including corporate bonds, government bonds, and treasury securities.

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services.

Not all stock funds are the same. For example:

- Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.
- Income funds invest in stocks that pay regular dividends.
- Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all — or perhaps a representative sample — of the companies included in an index.
- Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks.

5. Alternative Investment Risk

Investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices
- Lack of liquidity in that there may be no secondary market for the fund and none expected to develop
- Volatility of returns
- Restrictions on transferring interests in the fund
- Absence of information regarding valuations and pricing
- Delays in tax reporting
- Less regulation and higher fees than mutual funds

6. Insurance Product Risk

The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read the prospectus. Some of the major risks include:

- Liquidity and Early Withdrawal Risk – There may be a surrender charges for withdrawals within a specified period, which can be as long as six to eight years. Any withdrawals before a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.
- Sales and Surrender Charges –Asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero.
- Fees and Expenses – There are a variety of fees and expenses which can reach 2% and more such as:
 - Mortality and expense risk charges
 - Administrative fees
 - Underlying fund expenses
 - Charges for any special features or riders
- Bonus Credits – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment. Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.
- Guarantees - Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them.
- Market Risk -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- Principal Risk -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

7. Overall Fund Risk

- Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.
- Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.
- While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in

the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.

Risk Tolerance – the extent to which an investor is willing to accept more risk in exchange for the possibility of a higher return. An investor with a high risk tolerance is likely to invest in securities, such as stocks in startup companies, and is willing to accept the possibility that the value of his/her portfolio will decline, at least in the short-term. An investor with a low risk tolerance, on the other hand, tends to invest predominantly in stable stocks and/or highly-graded bonds. One's risk tolerance is subjective and may vary according to age, needs, goals, and even personal dispositions

Third Party Money Manager — the professional management of various securities (shares, bonds and other securities) and assets (e.g., real estate), to meet specified investment goals for the benefit of the investors. The managers are not the actual advisers working with the investor. Investors may be institutions (insurance companies, pension funds, corporations, individuals etc.

Total Annual Fund Operating Expense — the total of a fund's annual fund operating expenses, expressed as a percentage of the fund's average net assets. You'll find the total in the fund's fee table in the prospectus.

Treasury Securities – Oftentimes referred to as “Treasuries”, they are the marketable debt financing instruments of the United States Federal Government. These securities are backed by the full faith of the United States Federal Government. The United States Department of the Treasury issues these debt instruments to fund various endeavors. Treasury securities are very liquid and are heavily traded on the secondary market. There are four (4) types of treasury securities. They are:

Treasury bills (T-bills) - have a maturity date of one (1) year or less and do not pay interest until the maturity date. They are considered least risky to U.S. investors.

Treasury notes (T-notes) – mature anywhere from one (1) to ten (10) years. They pay interest every six (6) months.

Treasury bonds (T-bonds) – of all treasury securities, they have the longest maturity from twenty (20) to thirty (30) years. Like T-notes they pay interest every six (6) months like T-Notes.

Treasury Inflation Protected Securities (TIPS) – mature maturities of five (5), ten (10), and twenty (20) years. They protect against inflation because their value goes up with inflation, as measured by the Consumer Price Index, while their interest rate remains fixed. Interest on TIPS is paid twice a year.

Unit Investment Trust (UIT) — a type of investment company that typically makes a one-time "public offering" of only a specific, fixed number of units. A UIT will terminate and dissolve on a date established when the UIT is created (although some may terminate more than fifty years after they are created). UITs do not actively trade their investment portfolios.

You – the client.