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Diversified Financial***

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Disclosure Brochure

May 8, 2012

This brochure provides information about the qualifications and business practices of Diversified Financial. If you have any questions about the contents of this brochure, please contact us at 831-438-7223. 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.

Diversified Financial 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 about which you determine to hire or retain an adviser.

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

Material Changes

Nicholas David Delurgio dba Diversified Financial (“Diversified Financial”, we, us, our, ours”) delivers our Brochure initially when we enter into an advisory agreement with you. No later than April 29 of each year we will deliver a summary of material changes which have been made to our Brochure since its last annual update. We may also provide updated disclosure information about material changes on a more frequent basis. Any summaries of changes will include the date of our last annual update of our brochure.

Since the last annual update of our brochure on March 26, 2012, we have made the following material changes:

Diversified Financial is registered with the state of California as an investment adviser. We were previously registered with the SEC. This change was made due to new requirements for SEC registration established by the Dodd-Frank Wall Street Reform and

Consumer Protection Act.

We have made no changes to the services we provide.

Our current brochure may be requested by contacting Nicholas Delurgio, Owner and Chief Compliance Officer at (831)438-7223 or nick@difi.com. Our brochure is also available on our website <http://www.difi.com>. We will provide you with a brochure at any time without charge.

Additional information about us and about persons affiliated with us who are registered as our investment adviser representatives (“your advisory representative”) is also available via the SEC’s website, at www.adviserinfo.sec.gov. Information regarding your advisory representative can also be found in the supplement to this brochure on the page shown in the table of contents to the right of this column.

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CRD Number 107561

Advisory Business

Diversified Financial is a sole proprietorship organized under the laws of California. Nicholas Delurgio founded the Scotts Valley, CA-based investment advisory firm in 1991 and is the principal owner. Diversified Financial is a California state-registered investment advisory firm.

Asset management

In providing our asset management services, we do not analyze individual securities, but rather evaluate your investments to determine whether they harmonize with your objectives. We design and propose portfolio allocations in generic terms by each investment's dominant economic benefit:

- Safety of principal
- Income
- Growth & Income
- Growth
- Aggressive growth

Specific recommendations are then made using professionally managed investments such as mutual funds, limited partnerships and REITs.

Financial Planning

We shall provide you with the financial planning services indicated:

(a) Prepare a Financial Organizer by collecting and compiling all data and

documentation relating to your financial life, including but not limited to, the following:

- Financial Statements
- Tax Returns
- Insurance Policies
- Wills & Trusts

This organizer will also include observations and recommendations pertaining to your situation and goals.

(b) Prepare a plan to assist you in defining personal financial planning goals and objectives to be pursued in the applicable areas of:

- Business Planning
- Education Planning
- Estate Planning
- Investment Portfolio Construction
- Retirement Planning
- Risk Management Planning (exclusive of property and casualty insurance)
- Tax Planning

The plan will supply analyses and recommendations as to the financial actions and investment strategies needed to attain these goals.

(c) Preparation of an annual review and update.

(d) Prepare an Investment Account Summary detailing asset positions, gains and losses, and where possible, an

internal rate of return of the account from account inception.

(e) Prepare an Insurance Policy Investment Summary developed from the carrier anniversary report(s) to demonstrate the blended return of the accumulation account from inception.

By its nature, financial planning looks to the long term. After making sure that your short-term cash needs have been addressed, we design investment allocations to help you achieve your financial goals.

Recommendations to purchase or sell securities, which are consistent with your financial situation, risk tolerance, and objectives, are made in the process of advising clients. You determine whether to implement the recommendations.

General Consulting

In addition to advising you on investments, we also review and advise you on your income tax, insurance and estate tax situation. We do not prepare any tax returns. We will also work with the owners of closely held businesses on the design of your qualified plan arrangements or with your third party administrators.

In managing your investment portfolio or preparing your financial plan, we consider your

- financial situation,
- risk tolerance,
- investment horizon,
- liquidity needs,

- tax considerations,
- investment objectives, and
- any other issues important to your state of affairs.

You should notify us promptly if there are any changes in your financial situation or investment objectives or if you wish to impose any reasonable restrictions upon the management of your account.

Educational Seminars

On occasion we hold seminar that may include presentations for CE credits for CPAs and Tax Attorneys regarding new regulations. Additionally, we conduct investment seminars for our existing clients.

As of December 31, 2011, we managed approximately \$48.2 million in client assets were managed on a non-discretionary basis where our clients made the investment decisions based upon our recommendations.

Fees and Compensation

Required by §260.238(j) of the Code of California Regulation:

“A conflict exists between the interests of the investment adviser or associated persons and the interest of the client; the client is under no obligation to act upon the investment adviser's or associated person's recommendation; if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction

through the investment adviser, the associated person when the person is an agent with a licensed broker-dealer or through any associate or affiliate of such person. Lower fees for comparable services may be available from other sources.”

Asset Management Fees

We offer our services on a fee-only basis.

Broker-dealers and other financial institutions that hold client accounts are referred to as custodians (“custodian/broker-dealer”). Your custodian/broker-dealer determines the values of the assets in your portfolio.

Depending on your custodian our fee may be collected in arrears or in advance. This will be disclosed in the fee agreement you sign at the inception of our relationship. Additionally, the fee agreement will specify the frequency of reviews and the billing period. Accounts will be billed on an annual, semi-annual, or quarterly basis (“billing period”), as determined by size of the account and your express request.

If our fee is collected in advance, fees are due on the first day of the calendar billing period, and may be billed directly to the client or deducted from the advisory account. Fees are based on the account’s asset value as of the last business day of the prior billing quarter and are prorated for accounts opened during the period.

If our fee is collected in arrears, it is calculated based upon the market value of the assets in your account on the last day of the previous billing period.

Fees for the initial billing period are based on the value of your cash and securities on the date the custodian/broker-dealer receives them and are prorated based upon the number of calendar days in the calendar billing period that our agreement is in effect.

Our maximum fee schedule is described in the following table. :

<u>Assets under Management</u>	<u>Advisory Fee</u>
\$0 to \$50,000	2.15%
\$50,001 to \$200,000	1.90%
\$250,001 to \$500,000	1.60%
\$500,001 to \$1,000,000	1.45%
\$1,000,001 to \$1,750,000	1.25%
\$1,750,001 to \$3,000,000	1.10%
\$3,000,001 to \$5,000,000	0.95%
\$5,000,001 & Over	0.80%

All fees are negotiable at our sole discretion.

Alternatively, you may initiate a relationship with us on a commission and 12b-1 fee basis. Commissions and 12b-1 fees may be earned by your adviser representative in his capacity as a registered representative of LPL Financial. We will not charge separate

advisory fees on managed assets which are purchased through LPL Financial and on which your adviser representative is paid commissions or other compensation.

Financial Planning and General Consulting Fees

We charge no fee for the initial consultation. Fees are determined by assessing the amount of work done on an hourly basis and quoting a price agreed to by you. The hourly fees will range from \$42.00 to \$200.00, depending on our personnel involved in producing the reports or plan.

If you decide to implement our recommendations, you may be offered the option of reducing the planning fee(s) on a dollar for dollar basis up to, but not exceeding, any commissions (excluding 12b-1 fees) that you incur.

Monitoring Fees

Additional fees are charged for the monitoring of client investments in brokerage accounts and are negotiable based on the level and frequency of service desired by the client. Fees range from 25 basis points to 100 basis points based upon the value of the monitored assets.

You must authorize us to have the custodian/broker-dealer pay us directly by charging your account. This authorization must be provided in writing. One-fourth of the annual fee is

charged each calendar quarter.

Your custodian/broker-dealer provides you with statements that show the amount paid directly to us. You should review your custodian/broker-dealer's statement and verify the calculation of our fees. Your custodian/broker-dealer does not verify the accuracy of fee calculations.

One half of the fee for financial planning is payable when the agreement is signed, and the balance is due upon delivery of the plan.

In addition to our fee, you may be required to pay other charges such as:

- custodial fees,
- brokerage commissions,
- transaction fees,
- internal fees and expenses charged by mutual funds or exchange traded funds ("ETFs"), and
- other fees and taxes on brokerage accounts and securities transactions.

Mutual fund companies, ETFs, and variable annuity issuers charge internal fees and expenses for their products. These fees and expenses are in addition to any advisory fees charged by us. Complete details of these internal fees and expenses are explained in the prospectuses for each investment. You are strongly encouraged to read these explanations before investing any money. You may ask us any questions you have about fees and expenses.

If you purchase mutual funds through the custodian/broker-dealer, you may pay a transaction fee that would not be charged if the transactions were made directly through the mutual fund company. Also, mutual funds held in accounts at brokerage firms may pay internal fees that are different from funds held at the mutual fund company.

While you may purchase shares of mutual funds directly from the mutual fund company without a transaction fee, those investments would not be part of our advisory relationship with you. This means that they would not be included in our investment strategies, investment performance monitoring, or portfolio reallocations.

Please be sure to read the section entitled “Brokerage Practices,” which follows later in this brochure.

You must pay one-half of our advisory fees in advance of receiving our financial planning services. You may terminate the agreement at any time and a refund of the unearned fees will be made based upon the time and effort expended to the termination date. Should you terminate the advisory agreement we have entered into within five (5) business days from the date the agreement is executed, you will receive a full refund of any fees paid.

Should either one of us terminate the advisory agreement we have entered into before the end of a billing period, any unearned fees that were deducted from your account will be returned to you by

us. The amount refunded to you is calculated by dividing the most recent advisory fee you paid by the total number of days in the quarter. This daily fee is then multiplied by the number of calendar days in the quarter that our agreement was in effect. This amount, which equals the amount we earned for the partial quarter, is subtracted from the total fee you paid in advance to determine your refund.

Our advisory representatives are also registered representatives of LPL Financial Corporation (“LPL”), a registered broker/dealer, member FINRA/SIPC, and registered investment adviser. If you choose to implement your financial plan through LPL, commissions may be earned by your financial advisor or LPL in addition to any fees paid for advisory services. In addition, the financial advisor or LPL may be entitled to a portion of the internal expense fees (such as 12b-1 fees) charged by mutual funds.

Our advisory representatives are also licensed with various insurance companies. Commissions may be earned by our financial advisors if insurance products are purchased through these insurance companies.

Our advisory representatives may also recommend various asset management firms through their affiliation with LPL. If you establish an investment advisory relationship with one of these firms, our financial advisors may share in the

advisory fees you pay to these asset management firms.

The above arrangements present a conflict of interest because they create an incentive to make recommendations based upon the amount of compensation we receive rather than based upon your needs. We will explain the specific costs associated with any recommended investments with you upon request. We also recommend no-load and load-waived mutual funds to further reduce conflicts of interest. Additionally, you have the option to purchase investment and insurance products through other brokers or agents who are not affiliated with us.

Monitoring Fees

Additional fees are charged for the monitoring of your investments and are negotiable based on the level and frequency of service that you desire. Fees range from 25 basis points to 300 basis points based upon the value of the monitored assets.

Educational Seminars

No fees are charged for attending our seminars.

Performance-Based Fees

Performance-based fees are designed to give a portion of the returns of an investment to the investment adviser as a reward for positive performance. The

fee is generally a percentage of the profits made on the investments. We do not charge performance-based fees on any of our client accounts.

Types of Clients

We provide advisory services primarily to high net worth individuals, including their trusts, estates and retirement accounts. We also provide services to company sponsored qualified pension and profit sharing plans.

We do not impose a minimum account size for our services.

Methods of Analysis, Investment Strategies and Risk of Loss

Diversified Financial uses asset allocation methods pioneered by Nobel laureates Harry Markowitz and William Sharpe referred to as Modern Portfolio Theory. Asset allocation is defined as the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. The process includes an evaluation of the relationship of each asset to each other asset, and the expected rates of return and volatility characteristics of each investment.

The best quantitative measure of risk is the real or potential loss of principal in any one year. We help our clients determine their level of risk tolerance. Based on historic returns and the inter-correlation of each asset class, we seek to

achieve the highest possible return with the lowest amount of risk in our strategic allocation. We then select professional managers in each asset class based on manager tenure, amount of assets being managed, peer group performance, returns relative to risk and fees charged compared to their peers. Finally we monitor performance against benchmarks for each asset class on a quarterly basis, and make recommended changes as needed.

We also select specific investments for your portfolios through the use of fundamental analysis. Fundamental analysis is a method of evaluating a company that has issued a security by attempting to measure the value of its underlying assets. It entails studying overall economic and industry conditions as well as the financial condition and the quality of the company's management. Earnings, expenses, assets, and liabilities are all important in determining the value of a company. The value is then compared to the current price of the issuing company's security to determine whether to purchase, sell or hold the security.

Our investment strategies may include long-term and short-term purchases and sales. You may place reasonable restrictions on the strategies to be employed in your portfolio and the types of investments to be held in your portfolio.

All investments involve risks that can result in loss:

- loss of principal,
- a reduction in earnings (including interest, dividends and other distributions), and
- the loss of future earnings.

Additionally, these risks may include:

- market risk,
- interest rate risk,
- issuer risk, and
- general economic risk.

Although we manage your portfolio in a manner consistent with your risk tolerances, we cannot guarantee that our efforts will be successful. You should be prepared to bear the risk of loss.

Disciplinary Information

We have not been the subject of any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management.

Other Financial Industry Activities and Affiliations

As explained under "Fees and Conditions" above, our advisory representatives are licensed as registered representatives with LPL. They are also licensed as insurance agents with various insurance companies. These arrangements present a conflict of interest because they create an incentive

to make recommendations based upon the amount of compensation your advisory representative can receive rather than based upon your needs.

As previously noted, we will explain the specific costs associated with any recommended investments with you upon request. We also recommend no-load and load-waived mutual funds to further reduce conflicts of interest. You have the option to purchase investment and insurance products through other brokers or agents who are not affiliated with us.

Our advisory representatives may also recommend various asset management firms through their affiliation with LPL. We will only recommend an asset manager that (1) has entered into an agreement with LPL and (2) is appropriately registered or notice filed in your state of residence. If you establish an investment advisory relationship with one of these firms, our financial advisors may share in the advisory fees you pay to these asset management firms.

We will also work with the owners of closely held businesses on the design of your qualified plan arrangements. We assist the trustee's of said qualified plans in performing due diligence on their third party plan administrators, investment record keepers, and investment policy statements.

Code of Ethics; Participation or Interest in Client Transactions and Personal Trading

We have adopted a *Code of Ethics* (“*Code*”) to address the securities-related conduct of our advisory representatives and employees. The *Code* includes our policies and procedures developed to protect your interests in relation to the following:

- the duty at all times to place your interests ahead of ours;
- that all personal securities transactions of our advisory representatives and employees be conducted in a manner consistent with the *Code* and avoid any actual or potential conflict of interest, or any abuse of an advisory representative’s or employee’s position of trust and responsibility;
- that advisory representatives may not take inappropriate advantage of their positions;
- that information concerning the identity of your security holdings and financial circumstances are confidential; and
- that independence in the investment decision-making process is paramount.

We will provide a copy of the *Code* to you or any prospective client upon request.

Mr. Delurgio, as sole proprietor, as well as our advisory representatives and employees are permitted to buy or sell the same securities for their personal and family accounts that are bought or sold

for your account(s). These personal securities transactions may raise potential conflicts of interest when they trade in a security that is:

- owned by you or
- considered for purchase or sale for you.

We have adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in your best interest,
- prohibit favoring one client over another, and
- provide for the review of transactions to discover and correct any same-day trades that result in an advisory representative or employee receiving a better price than a client.

Advisory representatives and employees must follow our procedures when purchasing or selling the same securities purchased or sold for you.

Brokerage Practices

We may recommend that the broker-dealer/custodian for your account be LPL Financial Corporation (“LPL”). LPL will assist us in servicing your accounts. We are independently owned and operated and not affiliated with LPL. Our use of LPL is, however, a beneficial business arrangement for us and for

LPL. Information regarding the benefits of this relationship is described below.

In recommending LPL as custodian and as the securities brokerage firm responsible for executing transactions for your portfolios, we consider at a minimum LPL’s:

- existing relationship with us,
- financial strength,
- reputation,
- reporting capabilities,
- execution capabilities,
- pricing, and
- types and quality of research.

The determining factor in the selection of LPL to execute transactions for your accounts is not the lowest possible transaction cost, but whether LPL can provide what is in our view the best qualitative execution for your account.

LPL provides us with access to its institutional trading and custody services, which includes:

- brokerage,
- custody,
- research, and
- access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

We are not required to effect a minimum volume of transactions or maintain a

minimum dollar amount of client assets to receive these services.

LPL does not charge separately for holding our clients accounts, but may be compensated by you through other transaction-related fees associated with the securities transactions it executes for your accounts.

LPL also makes available to us other products and services that benefit us but may not benefit you directly. Some of these products and services assist us in managing and administering our client accounts, such as software and other technology that:

- provide access to account data such as:
 - duplicate trade confirmations,
 - bundled duplicate account statements, and
 - access to an electronic communication network for client order entry and account information;
- facilitate trade execution, including:
 - access to a trading desk serving advisory participants exclusively and
 - access to block trading which provides the ability to combine securities transactions and then allocate the appropriate number of shares to each individual account;
- provide research, pricing information and other market data;
- facilitate payment of our fees from client accounts; and

- assist with back-office functions, record keeping and client reporting; and
- receipt of compliance publications.

LPL also makes available to us other services intended to help us manage and further develop our business. These services may include:

- consulting,
- publications and conferences on practice management,
- information technology,
- business succession,
- regulatory compliance, and
- marketing.

LPL may also make available or arrange for these types of services to be provided to us by independent third parties. LPL may discount or waive the fees it would otherwise charge for some of the services it makes available to us. It may also pay all or a part of the fees of a third party providing these services to us. Thus, we receive economic benefits as a result of our relationship with LPL, because we do not have to produce or purchase the products and services listed above.

Because the amount of our compensation or the products or services we receive may vary depending on the custodian/broker-dealer we recommend to be used by our clients, we may have a conflict of interest in making that recommendation. Our recommendation of specific custodian/broker-dealers may be based in part on the economic benefit

to us and not solely on the nature, cost or quality of custody and brokerage services provided to you and our other clients. We nonetheless strive to act in your best interests at all times.

Commissions and other fees for transactions executed through LPL may be higher than commissions and other fees available if you use another custodian/broker-dealer firm to execute transactions and maintain custody of your account. We believe, however, that the overall level of services and support provided to our clients by LPL outweighs the benefit of possibly lower transactions cost which may be available under other brokerage arrangements.

Many of the services described above may be used to benefit all or a substantial number of our accounts, including accounts not maintained at through LPL. We do not attempt to allocate these benefits to specific clients.

You may direct us in writing to use a particular broker-dealer to execute some or all of the transactions for your account. If you do so, you are responsible for negotiating the terms and arrangements for the account with that broker-dealer. We may not be able to negotiate commissions, obtain volume discounts, or best execution. In addition, under these circumstances a difference in commission charges may exist between the commissions charged to clients who direct us to use a particular broker or dealer and other clients who do not

direct us to use a particular broker or dealer.

Review of Accounts

Reviews will be made on a periodic basis, no less than annually, upon request by client. Monitoring of investments within the client account is continuous.

Changes in financial or family status during the previous year will be reviewed to determine changes in your objectives. Your file will be reviewed by the applicant. Our recommendations, if any, will be implemented completely at your discretion. You are under no obligation to engage our services for reviews, or to retain us to implement our recommendations.

Nicholas Delurgio, Owner & Chief Compliance Officer, is responsible for all reviews.

Account reviews may also be triggered by a substantial change in your financial situation, e.g., sales or purchase of assets, death, etc.

You will receive statements from the custodian/broker-dealer at least quarterly. These statements identify your current investment holdings, the cost of each of those investments, and their current market values. Clients who elect to have the asset monitoring service will be given reports on either an annual, semi-annual, or quarterly basis.

Client Referrals and Other Compensation

We receive certain economic benefits as a result of our participation in LPL's program. Those benefits are described in detail in the preceding section entitled "Brokerage Practices."

We do not directly or indirectly compensate any person who is not one of our advisory representatives or employees for client referrals.

Custody

You will receive statements from the custodian/broker-dealer that holds your investment account on at least a quarterly basis. We urge you to carefully review these statements. You should verify that the transactions in your account are consistent with your investment goals and the objectives for your account. We also encourage you to contact your advisory representative or our Chief Compliance Officer should you have any questions or concerns regarding your account.

Investment Discretion

We offer our advisory services only on a non-discretionary basis.

When we manage your account on a non-discretionary basis, we need advance approval from you to determine the type and amount of securities to be bought and sold for your accounts. Please note that if we are unable to contact you, we

could not take action in your account in the case of a market correction.

We do not have the ability to choose the broker-dealer through which transactions will be executed. Additionally, we do not have the ability to withdraw funds from your account (other than to withdraw our advisory fees which, may only be done with your prior written authorization.)

Voting Client Securities

We do not take any action or give any advice with respect to voting of proxies solicited by or with respect to the issuers of securities in which your accounts may be invested. In addition, we do not take any action or give any advice with respect to any securities held in any accounts that are named in or subject to class action lawsuits. We will, however, forward to you any information received by us regarding proxies and class action legal matters involving any securities held in your accounts. You will receive proxy information directly from the custodian of your account.

Financial Information

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you.

We do not exercise discretion in your account. We ask you to approve all transactions before they are effected.

We do not have physical custody of client funds or securities. All client

assets are maintained with a qualified custodian.

We do not require prepayment of more than \$500 in fees per client, six months or more in advance.

We have not been the subject of a bankruptcy proceeding.

Requirements for State-Registered Advisers

A. Nicholas David Delurgio is the founder and owner of Diversified Financial. His education and business background are described in the Supplement to this Brochure.

B. Diversified Financial does not conduct any business other than its advisory business. Other business activities of Mr. Delurgio and the firm's associated persons are described in the "Other Financial Industry Activities and

.

Affiliations" and in your advisory representative's Supplement to this brochure.

C. Diversified Financial nor its advisory representatives are compensated with performance based fees.

D. Diversified Financial nor Mr. Delurgio has been involved in an arbitration; or found to be liable in any civil, self-regulatory organization or administrative proceeding.

E. Diversified Financial nor any management person has any relationship with an issuer of securities.

All material conflicts of interest under California Code of Regulations, CCR Section 260.238(k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

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Brochure Supplement

May 8, 2012

This brochure supplement provides information about Nicholas Delurgio that supplements the Diversified Financial brochure. You should have received a copy of that brochure. Please contact Nicholas Delurgio, Owner & Chief Compliance Officer, if you did not receive Diversified Financial's brochure or if you have any questions about the contents of this supplement.

Additional information about Nicholas Delurgio is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience

Nicholas Delurgio

Year of birth: 1948

Formal education:

- Stanford University – 1970, B.A., Psychology
- Stanford University – 1971, M.A., Education
- American College – 1983
Chartered Life Underwriter
- American College – 1987,
Chartered Financial Consultant

Business background:

- Diversified Financial; Owner – (01/91 to Present)
- LPL Financial LLC; Registered Principal and Representative – (09/09 to Present)
- Peregrine Financial Group; Introducing Broker – (10/07 to 12/11)
- Associated Securities Corporation; Registered Principal and Representative – (02/09 to 09/09)
- American National Trading Corporation; Introducing Broker – (05/05 to 10/07)
- FSC Securities Corporation; Registered Principal and Representative – (01/91 to 02/09)
- Integrated Financial – (07/82 to 12/90)

Professional Designations

The Chartered Life Underwriter® (CLU) designation is a professional credential granted by The American College that provides insights into the life insurance business, its importance to the economy, its operation and distribution systems, and its resurging importance for safe and secure investments.

Candidates must have three years work experience within the previous five years, and pass examinations for five required and three elective college-level courses. Maintaining the designation requires on-going continuing education and high ethical standards.

The Chartered Financial Consultant® (ChFC) designation program focuses on the comprehensive financial planning process as an organized way to collect and analyze information on a client's total financial situation; to identify and establish specific financial goals; and to formulate, implement, and monitor a comprehensive plan to achieve those goals.

The ChFC designation is granted by The American College. Candidates must have three years work experience in the previous five years and pass examinations for six required and two elective college-level courses. Maintaining the designation requires continuing education and high ethical standards.

Disciplinary Information

Nicholas Delurgio has not been the subject of any legal or disciplinary event.

Other Business Activities

Mr. Delurgio is licensed as an insurance agent and as a registered representative and is in the business of selling insurance and securities products.

Additional Compensation

Mr. Delurgio also a registered representative of LPL Financial Corporation (“LPL”), a registered broker/dealer, member FINRA/SIPC, and registered investment adviser. If you choose to implement your financial plan through LPL, commissions may be earned by your financial advisor in addition to any fees paid for advisory services. In addition, Mr. Delurgio may be entitled to a portion of the internal expense fees (such as 12b-1 fees) charged by mutual funds.

Mr. Delurgio is also licensed with various insurance companies. Commissions may be earned by Mr. Delurgio if insurance products are purchased through these insurance companies.

We may receive benefits such as assistance with conferences and educational meetings from product sponsors.

Mr. Delurgio may also recommend various asset management firms through

their affiliation with LPL. If you establish an investment advisory relationship with one of these firms, Mr. Delurgio may share in the advisory fees you pay to these asset management firms.

The above arrangements present a conflict of interest because they create an incentive to make recommendations based upon the amount of compensation we receive rather than based upon your needs. We will explain the specific costs associated with any recommended investments with you upon request. We also recommend no-load and load-waived mutual funds to further reduce conflicts of interest. Additionally, you have the option to purchase investment and insurance products through other brokers or agents who are not affiliated with us.

Supervision

Nicholas Delurgio is the sole proprietor of Diversified Financial. There are no other persons in position to supervise or to monitor his activity. Mr. Delurgio is bound by Diversified Financial’s Code of Ethics and Compliance Procedures, as well as each client’s advisory agreement.

Requirements for State-Registered Advisers

Mr. Delurgio has not been the subject of any arbitration claims, other proceedings or bankruptcy petition.

Christopher A. Byfield

Diversified Financial

108 Whispering Pines Drive

Suite 130

Scotts Valley, CA

95066

831-438-7223

www.difi.com

Brochure Supplement

May 8, 2012

This brochure supplement provides information about Christopher Byfield that supplements the Diversified Financial brochure. You should have received a copy of that brochure. Please contact Nicholas Delurgio, Owner & Chief Compliance Officer, if you did not receive Diversified Financial's brochure or if you have any questions about the contents of this supplement.

Additional information about Christopher Byfield is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience

Christopher Byfield

Year of birth: 1976

Formal education:

- College of Holy Cross – 1999, B.A., Economics
- Rensselaer Polytechnic Institute – 2004, M.S. Management

Business background:

- Diversified Financial; Advisory Representative – (10/08 to Present)
- LPL Financial LLC; Registered Principal – (04/12 to Present)
- LPL Financial LLC; Registered Representative – (09/09 to Present)
- Associated Securities Corporation; Registered Representative – (04/09 to 09/09)
- Louis Kravitz & Associates; Consultant – (01/07 – 10/08)
- Union Bank of California; Trust Officer – (06/00 – 01/07)
- MassMutual Life Insurance Company; Sr. Account Manager – (09/01 to 06/05)

Disciplinary Information

Christopher Byfield has not been the subject of any legal or disciplinary event.

Other Business Activities

Mr. Byfield is not engaged in any business activities other than those related to Diversified Financial and LPL Financial Corporation.

Additional Compensation

Mr. Byfield is also a registered representative of LPL Financial Corporation (“LPL”), a registered broker/dealer, member FINRA/SIPC, and registered investment adviser. If you choose to implement your financial plan through LPL, commissions may be earned by Mr. Byfield in addition to any fees paid for advisory services. In addition, Mr. Byfield may be entitled to a portion of the internal expense fees (such as 12b-1 fees) charged by mutual funds.

Mr. Byfield is also licensed with various insurance companies. Commissions may be earned by Mr. Byfield if insurance products are purchased through these insurance companies.

We may receive benefits such as assistance with conferences and educational meetings from product sponsors.

Mr. Byfield may also recommend various asset management firms through their affiliation with LPL. If you establish an investment advisory relationship with one of these firms, he may share in the advisory fees you pay to these asset management firms.

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Supervision

Mr. Byfield is supervised by Nicholas Delurgio, Owner & Chief Compliance Officer. Mr. Delurgio can be reached at 831-438-7223.

We supervise Mr. Byfield by requiring that he adhere to our processes and procedures as described in our firm's Code of Ethics. We will monitor the advice that Mr. Byfield gives to you by performing the following reviews:

- A review of relevant account opening documentation when the relationship is established;
- A daily review of account transactions;
- Review custodial information on a quarterly basis to assess account activity;
- Perform annual oversight so that Mr. Byfield is aware of your current financial situation, objectives, and individual investment needs; and
- A review of client correspondence on an as needed basis.

Requirements for State-Registered Advisers

Mr. Byfield has not been the subject of any arbitration claims, other proceedings or bankruptcy petition.