

# **FREEDOM ONE**

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## **INVESTMENT ADVISORS**

**FREEDOM ONE INVESTMENT ADVISORS, INC.**

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**July 25, 2012**

This Brochure provides you information about the qualifications and business practices of Freedom One Investment Advisors, Inc. (referred to in this Brochure as “us,” “we,” “our” or the “firm”). If you have any questions about the contents of this Brochure, please contact Mark Wayne, our Chief Executive Officer at (248) 620-8100 or by email [mwayne@freedomonefinancial.com](mailto:mwayne@freedomonefinancial.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

We are a registered investment adviser. Registration of an adviser does not imply any level of skill or training.

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

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## **ADVISORY BUSINESS**

### **Our Owners and Principals**

We are a Michigan corporation established in 1995. We are required to disclose the persons owning twenty-five percent (25%) or more of our firm's membership interests. Freedom One Financial Group, LLC, a Michigan limited liability company, and the Michael Wayne Revocable Living Trust dated December 16, 1982 each own more than twenty-five percent (25%) of our firm's common stock. Mark Wayne, our Chief Executive Officer, is the sole owner of Freedom One Financial Group and Michael Wayne is the trustee of the Michael Wayne Trust.

### **Our Advisory Services**

We offer investment supervisory, investment consulting and subadvisory services which are explained in more detail below.

#### ***Investment Supervisory Services – Qualified Plans***

We provide investment management services to qualified retirement plans which are subject to the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”). As part of our services to qualified plans, we will act as either an ERISA 3(21) fiduciary advisor or an ERISA 3(38) fiduciary manager. The key difference between these two types of fiduciaries is whether you engage us as a discretionary manager. As a 3(38) manager, you give us discretionary authority to manage your plan's assets. This means that you shift your fiduciary responsibility to us for the selection of your investments. If you hire us as a 3(21) advisor, we will make recommendations, but it is ultimately up to you, as the plan sponsor, to decide whether and how to act. As a 3(21) advisor, we will not have discretion to invest and reinvest your assets without your prior consent. Thus, as a 3(21) advisor, we will share responsibility for the selection of investments.

For all qualified plan clients, we start by assisting you with the creation and maintenance of your investment policy statement. Your investment policy statement may place restrictions on the types of investments the plan may invest its assets in. We identify specific asset categories to be represented in your plan's investment menu. We then use our investment process to select and recommend the mutual funds and, at times, bank collective trusts that comprise your plan's investment menu. We ensure that the recommended investment options are permitted investments under your investment policy statement. We continually monitor the performance of all investment options. We travel regularly to each mutual fund or collective trust to meet with the fund managers. We conduct an audit of each fund manager by utilizing a comprehensive qualitative process. We prepare a quarterly, comprehensive fiduciary review that documents performance results of each fund over various time periods and benchmarks results of each fund against applicable peer group and index benchmarks.

We provide five risk-based allocation models, which we call MAPs that allow participants to invest according to their specific goals, objectives, time to retirement, as well as risk

tolerance. We create our MAPs by assigning a weighted allocation to the mutual funds and, if used, collective trusts in our investment menu depending upon the objective of the particular MAP. The following is a brief description of each of our MAPs:

- *The Income MAP* allows for preservation of capital and current income, with long-term capital appreciation being secondary;
- *The Conservative MAP* allows for preservation of capital and current income, with consideration for long-term capital appreciation;
- *The Moderate MAP* provides long-term capital appreciation and current income, with consideration for preservation of capital;
- *The Growth MAP* provides long-term capital appreciation and current income, with reasonable risk
- *The Aggressive MAP* provides long-term capital appreciation.

We rebalance investments in our MAPs based upon marked conditions.

Participants of plans are permitted to choose to invest in one or more of our MAPs or individual funds. If we provide individual investment advice to participants as described below, we will only recommend investment in one MAP that meets the investment objectives, time horizon to retirement, anticipated retirement income needs and risk tolerance of the participant. We believe utilizing one MAP will provide participants with an investment strategy that best meets their investment objectives given their personal risk tolerance.

### ***Participant Advice***

In addition to the investment supervisory services we provide to plan sponsors, the plan sponsor may engage us to provide one-on-one investment advice to the participants of the plan. We start this process by providing education to employees in group meetings. We then meet individually with the participant. The participant will provide information to us about their financial situation, risk tolerance, time horizon to retirement, anticipated retirement income needs and investment objectives. We also provide information to the participant on how various levels of wage deferral or contributions to their retirement plan will impact their take-home pay. Taking all of this information into consideration, we will recommend investment in an appropriate MAP.

We meet with newly eligible participants on a quarterly basis and we offer to meet with all participants on a semi-annual basis or more or less frequently as requested by the plan sponsor.

We believe that our individualized participant advice services tend to increase participant retirement plan contributions and help to close the gap between what a participant needs for retirement and what he or she may have.

### ***Investment Supervisory Services – IRA and Individual Accounts***

We also offer our investment supervisory services for individual accounts and IRA accounts. Prior to providing investment supervisory services, we will obtain information from you about your financial situation, investment objectives and risk tolerance, by meeting with you and providing you with a questionnaire or using another method designed to obtain your relevant financial information. You should notify us if your financial situation or investment objectives change, and we will remind you of this obligation on at least a quarterly basis through either a notice on your brokerage statement or a separate communication. We provide our investment advice on a discretionary basis. Based upon your individual investment objectives, financial situation, time horizon until retirement and risk tolerance, we will recommend allocation of your investments in one of our five risk-based allocation models, or MAPs, designed for individual accounts and IRA accounts. These MAPs allow you to invest according to your specific goals, objectives, time to retirement, as well as risk tolerance. We exclusively recommend investments in mutual funds for our individual and IRA accounts because individual and IRA accounts are not permitted to invest in collective trusts. We continuously monitor the investments and will, from time to time, make changes to the investments, based upon fund performance, or to the allocations among the investments in our MAPs, as necessary based upon market and economic conditions. You will have the right to place reasonable restrictions on your account although if we deem your restrictions to be unreasonable, we will not enter into an investment management agreement with you or we will terminate the existing agreement with you. We rebalance investments in our MAPs based upon market conditions.

Because we utilize a different custodian for our individual and IRA account holders, the investments we recommend for individual and IRA account holders will not always be the same as the recommendations that we make for qualified plans and their plan participants. Specifically, we may not be able to invest individual and IRA accounts in the same share class as qualified plans and your custodian may not have access to the same mutual funds as are available to through the custodian for our qualified plans.

You may invest your account in specific mutual funds from our recommended list of mutual funds. In that event you, and not us, exercise the discretion over the investments in your account.

### ***Investment Advice Through Consultations***

We may also consult with you on a project-by-project basis or on a longer term basis. Our consulting services include services such as drafting investment policy statements, developing asset allocation guidelines and strategies, recommending money managers, providing performance measurements of money managers or recommending one or more managers.

If you engage us to evaluate a money manager's performance, we will provide this service on a monthly, quarterly, semi-annually or annually as identified in our agreement. We will evaluate a manager's performance based upon several factors including performance compared to relevant index (for example, the S&P 500 Index), continuity of money management relative to

relevant peer group (for example equity growth), operating expenses and adherence to stated investment objectives.

Our agreement with you will provide a detail description of our services along with any reports we agree to provide.

### ***Subadvisory Services***

When we provide subadvisory services, we enter into an agreement with another investment adviser to provide investment management services that the third party adviser will deliver to its clients. We have no direct relationship with that advisor's clients. The client signs an agreement with its own advisor under which the client agrees to pay a fee based on a percentage of the assets under management. We receive a portion of that fee for our subadvisory services as agreed upon in the subadvisory agreement.

### **Assets Under Management**

We manage your assets on either a discretionary or nondiscretionary basis. As of February 29, 2012, we had 632,443,272 in client assets managed on a discretionary basis and \$388,230,204 in client assets managed on a nondiscretionary basis.

## **FEES AND COMPENSATION**

### **Fees for Investment Advisory Services for Qualified Plans**

Although our fees for our investment advisory services to our qualified plan clients may be negotiated under certain circumstances, our standard fee schedule is as follows:

<b>Assets Under Management</b>	<b>3(21) Advisor Annual Fee</b>	<b>3(38) Manager Annual Fee</b>
First \$2,000,000	1.00%	1.25%
Next \$3,000,000	.75%	1.00%
Over \$5,000,000	.50%	.75%

Our fee is payable monthly in advance and based upon a percentage of the market value of the plan's assets under our management. We charge our fee on the first day of each month based upon the assets under management on the last day of the prior month. We may also charge a minimum annual fee, which is currently \$500 per year. Our fee is negotiable depending upon the characteristics of the account, such as the complexity of the services you request and the size of the account.

### **Fees for Participant Advice**

Our annual fee for providing one-on-one investment advice to participants in a qualified plan is either a fee based on assets under management or fixed fee depending on our agreement

with the plan sponsor. We negotiate our fees based upon the number of participants, the size of the plan, the number of meetings throughout the year and other factors that impact the services we provide. If our fee is based on assets under management, we prorate our annual fee and charge it monthly or quarterly (depending upon our agreement with you), in advance, based upon the market value of the assets on the last day of the previous month or quarter, depending on how your fee is paid. Fixed fees will be charged based upon our agreement with you.

### **Fees for Investment Supervisory Service for Individual and IRA Accounts**

Although our fees for our investment supervisory services may be negotiated under certain circumstances, our standard fee schedule is as follows:

<b>Account Type</b>	<b>Our Annual Fee</b>
IRA and individual accounts with less than \$200,000	1.25%
IRA and individual accounts with \$200,000 or more	1%

Our fee for IRA and individual accounts is payable quarterly in advance based upon a percentage of the market value of the assets under our management on the last day of the previous quarter. Our fee is exclusive of, and in addition to brokerage commissions, transactions fees, custodial fees and other related costs and expenses. We charge a minimum fee of \$125 per year on IRA and individual accounts.

Sentinel Securities, Inc. assesses a ticket charge to each purchase or sell transaction under \$500, which we absorb. Because we absorb the ticket charges, we have a financial incentive to infrequently trade the IRA and individual accounts.

### **Fees for Advisory or Consulting Services**

For our advisory or consulting services, we charge either an hourly rate of up to \$350 per hour, a flat fee for the entire project based upon the specifics of the project, or an asset based fee. The terms of payment are based upon our agreement with you, taking into consideration the scope of services being provided and the length of the consulting arrangement.

### **Termination of Our Agreements**

Our written agreements for investment supervisory, advisory or consulting services may be terminated by either party upon 30 days written notice. Termination of our agreement with qualified plans becomes effective on the month-end immediately following the expiration of the 30-day notice period. We prorate and refund to you any unearned fees you paid in advance.



## **Additional Fees**

Our investment supervisory and advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which you will incur. You may incur charges imposed by custodians, brokers, mutual fund fees and collective trust fees. Mutual funds, exchange traded funds and collective trusts also charge internal management fees, which are disclosed in a fund's disclosure document. These charges, fees and commissions are exclusive of and in addition to our fee, and we do not receive any portion of these commissions, fees, and costs.

If you have an IRA or individual account custodied at Sentinel Securities, Inc. Sentinel charges fees in addition to our fees. For a complete list of fees, please contact a Sentinel Securities' representative at (888) 880-1330.

## **Direct Billing to Your Custodian**

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

## **Fee Rebates for Qualified Plan Clients**

Many mutual funds pay shareholder servicing (12b-1 fees) or subtransfer agent fees. We negotiate with mutual funds to obtain these fees with respect to our qualified plan clients. These fees are then credited first to the payment of any custodial fees and any balance is then returned to the plan. By negotiating these fees and directing that they be paid to the plan or to cover the plan's custodial charges, we believe we can help reduce the overall cost of the plan.

## **Additional Compensation**

Our affiliate, Freedom One Retirement Services, is registered as an insurance agency and our president, Mark Wayne, is a licensed insurance agent. If a client is interested in purchasing a fixed annuity or other insurance product, we will refer the client to Timothy G. Kranz who is a licensed insurance agent in the State of Michigan. If our client purchases a fixed annuity, a portion of the commission will be paid to Freedom One Retirement Services. Please see **"OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS"** beginning on page 9 for additional disclosures.

These affiliations may create a conflict of interest which would influence us to recommend that you purchase an insurance product from our affiliate or Mr. Kranz. To mitigate this conflict, you are under no obligation to purchase insurance products from our representatives or affiliates, and you are free to purchase such products an insurance agency of your choice.

Sometimes when a participant terminates his or her employment with one of our qualified plan clients, the participant is seeking to roll his or her 401(k) account into an IRA. In that case, our representatives will offer the participant roll over options such as our IRA. We will also provide the participant with a document disclosing all of the participants' options, which includes remaining a participant in the plan, so that the participant can make an informed decision about his or her 401(k) account.

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

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

### **TYPES OF CLIENTS**

We provide services to individuals, pension and profit-sharing plans, trusts and estates, charitable institutions, corporations and other business entities.

We do not impose a minimum account balance for opening or maintaining an account. However, we may impose a minimum annual fee for investment management services as described above in “**FEES AND COMPENSATION**”. At our discretion, we may waive the minimum fee.

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

#### **Methods of Analysis**

When recommending mutual funds or collective trusts, first we analyze your existing portfolio to determine the investment style that will best facilitate the desired diversification of the portfolio. We then identify a set of mutual funds exhibiting that investment style, and we recommend a proven performer from among that set. We measure the performance of an investment in comparison to an appropriate benchmark that we have identified. In providing asset allocation services, if applicable, we analyze your investment questionnaire that may be used, and then we recommend a diversification mix consistent with your needs, preferences and risk tolerance.

We obtain information from a number of sources, both public and by purchase, including financial newspapers and magazines, corporate rating services, annual reports, prospectuses and filings with the SEC, company press releases, independent consultants, and several financial publications, which rank the recent and longer-term performance of fund managers. We also use research materials prepared by others, academic studies, third party databases as well as client specific information. We meet with fund managers as part of our due diligence process. We believe these resources for information are reliable and regularly depend on these resources for making our investment decisions; however, we are not responsible for the accuracy or completeness of this information.

## **Investment Strategies**

Generally, we use an active/passive investment strategy utilizing multiple managers and a diversified balanced approach.

We will recommend using mutual funds and, for qualified plan clients, collective trusts. For our subadvisory clients, we may use exchange traded funds. For individual clients, we may recommend fixed annuities. We construct our MAPs using the recommended investments but with a view of the different levels of risk in each MAP. The MAPs use a “fund of fund” approach investing exclusively in mutual funds, collective trusts and ETFs versus investing directly in individual stocks and bonds. We use asset class positions with a one year or longer outlook.

Qualified plans have access to institutional shares that may not be available in individual accounts. The qualified plan and individual/IRA MAPs may be invested in similar asset classes but we may recommend different mutual funds. Some mutual funds and all collective trusts are not available to the IRA and individual account holders even though they are available to qualified plans. Thus, we may recommend different investments to our qualified plan clients from those we recommend to our IRA and individual clients.

## **Types of Investments and Risk of Loss**

We primarily offer advice about mutual funds, index funds, exchange traded funds and bank collective trusts, each having different types and levels of risk. We will discuss these risks with you in light of your investment objectives. We will explain and answer any questions you have about these kinds of investments, which present special considerations such as the following.

Investing in securities involves risk of loss that you should be prepared to bear. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. For example, our aggressive MAP generally has the highest risk but also the highest potential rate of return while our conservative MAP has the lowest risk but also the lowest potential rate of return. We work with you to attempt to identify the balance of risks and returns that is appropriate and comfortable for you. However, it is still your responsibility to ask questions if you do not fully understand the risks associated with any investment or investment strategy.

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

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

Mutual funds and ETFs typically charge their shareholders various advisory fees and expenses associated with the establishment and operation of the funds. These fees will generally include a management fee, shareholder servicing, other fund expenses, and sometimes a dis-

tribution fee. These separate fees and expenses are disclosed in each fund's current prospectus, which is available from the fund or we can provide it to you upon request.

Consequently, for any type of fund investment, it is important for you to understand that you are directly and indirectly paying two levels of advisory fees and expenses: one layer of fees at the fund level and one layer of advisory fees to us. Generally speaking, most mutual funds may be purchased directly, without using our services and without incurring our advisory fees.

Many mutual funds pay shareholder servicing (12b-1 fees) or subtransfer agent fees. We negotiate with mutual funds to obtain these fees with respect to our qualified plan clients. These fees are then credited first to the payment of any custodial fees and any balance is then returned to the plan. By negotiating these fees and directing that they be paid to the plan or to cover the plan's custodial charges, we believe we can help reduce the overall cost of the plan.

### ***Bank Collective Trusts***

Collective trusts are bank-administered trusts that hold commingled assets maintained by a bank or trust company available to employee benefit plans. Fees associated with collective trusts are generally lower than mutual fund products. The collective trusts are not regulated by the Securities Exchange Commission and are not insured by the Federal Deposit Insurance Corporation (FDIC). Therefore, the unit holders of the collective trust are not entitled to the same protections as investors in mutual funds or exchange traded funds. In addition, prospectuses are not required and prices are not available in public publications.

## **DISCIPLINARY INFORMATION**

As a registered investment adviser, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our management. We have no legal or disciplinary events to disclose.

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

### **Affiliations**

#### ***Freedom One Retirement Services***

We are affiliated with Freedom One Retirement Services a company which is a licensed insurance agency and provides third party administrative service to our qualified plan clients. If you choose to use Freedom One Retirement Services as your third party administrator, you will enter into a separate written agreement with Freedom One Retirement Services which explains the services to be performed and the fees you will pay.

If you purchase a fixed income annuity, a portion of the insurance commission will be paid to Freedom One Retirement Services. Please see “**Additional Compensation**” beginning on page 6.

### ***Retirement Funding Advisors***

We also have a relationship with Retirement Funding Advisors, Inc., an SEC registered investment advisory firm owned by Donald Gregg. Retirement Funding Advisors provides investment research and other support services to us in exchange for a fee. Mr. Gregg previously served as our Chief Investment Officer and currently consults with us on investments and provides advice to our investment committee.

### ***Karmichael Properties***

We also have an affiliate, Karmichael Properties, LLC, which is owned by Mark Wayne. Karmichael Properties owns the building in which we conduct our business. In 2002, Karmichael issued subordinated promissory notes to investors pursuant to a Private Placement Memorandum. The investment was offered to clients who qualified as “Accredited Investors” as defined in Regulation D under the Securities Act of 1933, as amended.

Each investor was required to execute a subscription agreement acknowledging that the investor understood that the notes were being offered to prospective investors who may be our clients and that we are an affiliate of Karmichael. Additionally, each investor acknowledged that they understood that Karmichael determined the terms of the notes and that neither investors, prospective investors, nor any of Karmichael’s affiliates were involved in determining the terms of the notes, and that no commissions or fees were paid to any person or entity upon the sale of the notes.

On October 1, 2004, Karmichael offered to exchange all of the outstanding notes for new notes identical to the terms of the outstanding notes, except that each investor was allowed to choose one of the following options: receive one-half the first principal payment as and when due under the outstanding note and extend the due date of the remaining principal payments so that one-half will be due in twenty-four (24) months and one-half will be due in thirty-six (36) months; or do not receive any repayment of principal and extend the due date of the first principal payment by twenty-four (24) months and the due date of the second principal payment by thirty-six (36) months. Investors who elected not to participate in the exchange offer were paid in accordance with the terms of their original notes.

This is a conflict of interest because we may choose to favor the accounts of clients who are owed money from our affiliate, Karmichael Properties. However, since we primarily recommend mutual funds and collective trusts which generally do not have limitations on the number of investors and are priced at the end of the day, we do not believe this conflict adversely affects any other clients.

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

We have adopted a Code of Ethics (the “Code”) describing the standards of business conduct we expect all officers, directors, employees, and advisory representatives to follow. The Code also describes certain reporting requirements with which particular individuals associated with or employed by us must comply. We will provide a copy of the Code to you upon request.

Our related persons or we may invest in mutual funds that are also recommended to our clients. Generally, these securities will be shares of open ended mutual funds or stocks and bonds actively traded on a national securities exchange or market where the time and size of their purchases or sales will not affect transactions for you or our other clients. We do not recommend the purchase or sale of thinly traded securities. We only trade mutual funds and since mutual funds are priced at the end of the day, all clients receive the same price. While we recommend ETF’s in our subadvisory relationships, we do not trade ETF’s.

You may request a copy of our Code by contacting our Chief Executive Officer Mark Wayne at (248) 620-8100 or [MWayne@FreedomOneFinancial.com](mailto:MWayne@FreedomOneFinancial.com).

## **BROKERAGE PRACTICES**

### **Investment or Brokerage Discretion**

We typically recommend one of four brokerage arrangements depending upon the type of client. In determining the recommendation of a broker-dealer, we consider the respective financial, strength, reputation, execution, pricing, research and other services that the client may need.

### ***Qualified Plans***

For retirement plan clients, we recommend using either Fidelity Institutional Wealth or SunGard Global Network. Fidelity and SunGard will each act as a custodian for the client’s assets and have separate written agreements with the client with respect to the custodial arrangements. We use SunGard as our trading platform for all qualified plan clients who have their assets custodied with Fidelity. Both enable us to buy and sell mutual funds without transaction charges. Non-discretionary retirement plan clients may direct us to use a broker or custodian that we have not recommended.

### ***IRA and Individual Accounts***

For our IRA or individual account clients, we recommend using Sentinel Securities as the broker-dealer with Pershing, LLC acting as the custodian for the client’s assets. Sentinel enables us to buy and sell many mutual funds without transaction charges although Sentinel does charge fees for access to these funds. Some funds recommended by us may have redemption or other charges, which will be in addition to our fees.

Previously, we had custody of IRA and separately managed accounts in an omnibus account. As of March 31, 2011, we had transferred all of the accounts held in the omnibus account into separate accounts with outside custodians; some accounts elected to remain at National Advisors Trust Company.

In addition, previously we recommended that private wealth management clients use Charles Schwab & Co. All clients custodied at Schwab have a standard commission rate applicable to all trades placed through Schwab, regardless of whether securities research or related securities buy/sell recommendations are provided to the client.

The commissions, custodial and/or transaction fees charged by the brokers recommended by us may be higher or lower than those charged by other broker-dealers. In addition, the brokers recommended by us provide corporate research reports to us upon request, on behalf of particular clients or as a part of overall investment research functions. The cost of the research reports is paid directly by us. Research service is available to all clients retaining us to provide advisory services regarding such securities. No client transactions are directed to a broker in return for research services.

### ***Affiliations with Broker-Dealers***

None of the brokers or custodians pays us any compensation for the introduction of their services, nor is there any affiliation between us and Fidelity, SunGard, Schwab or Pershing. Fidelity provides us access to Referral EDGE, a research platform. From time to time various mutual funds make institutional research available to us if we have investments in their funds.

### **Directed Brokerage & Soft Dollars**

Although we do not require that you use a specific broker-dealer, we have established brokerage relationships with several financial institutions and we will make a recommendation to you. In selecting a broker, we consider, not only the commission rate charged by the broker and the broker's execution capabilities, custodial charges, financial responsibility and responsiveness to instructions, but also the full range of services provided by the broker, including research and custodial services. Because almost all of our recommended investments are mutual funds, our clients generally do not pay commissions on trades so the commission rate is less important than the other factors. For trades not involving mutual funds, we will determine in good faith that the amount of any commission paid is reasonable in relation to the value of the brokerage and research services provided, viewed in terms either of a particular transaction or our overall responsibilities with respect to accounts as to which we exercise investment discretion. We must also determine that any services we receive provide lawful and appropriate assistance in the performance of our investment decision-making responsibilities.

We have not and do not intend to enter into any contractual third-party soft-dollar arrangements, such as where we commit to place a specific level of brokerage with a specific firm in return for which the brokerage firm will pay for various research related products or services for us that are generally available for cash purchase.

You may direct us to utilize a specified broker-dealer, of your choosing, to effect transactions for or with your account. You should understand that, in the case of such a directed brokerage arrangement, (1) you will be solely responsible for negotiating the terms and arrangements on which those brokers and dealers are engaged, and we will have no responsibility for reviewing the fairness of those terms and arrangements; (2) we will not seek better execution services or prices from other brokers and dealers in connection with transactions for your account; (3) we will not be able to “batch” or “aggregate” transactions for the your account with transactions for our other clients not subject to a similar arrangement; (4) we will not monitor the performance of or the services provided by the brokers and dealers so designated; (5) and as a result, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

### **Trade Errors**

We have the responsibility to effect orders correctly, promptly, and in the best interests of our clients. In the event an error occurs in the handling of any client transactions due to our actions, inaction, or the actions of others, we will correct the error as promptly as possible and without disadvantaging the client or benefiting us in any way.

We will reimburse the client for any loss resulting from an inaccurate or erroneous order that is our responsibility. If the error results in a profit and the error is discovered before settlement it will be corrected in the broker-dealer’s or error account with the broker-dealer retaining the profit. After settlement, the profit will be retained by us in a proprietary error trading account. The balance of the error trading account will be recorded in our accounting records as required.

### **Trade Rotation Policy**

We have instituted a trade rotation policy to ensure each plan is treated fairly in the execution of a trade. We segregate the accounts to separate team members who are responsible for executing the rebalance. Trades are then executed in a random order of rotation. With each rebalance or fund change, the accounts rotate so that no one group of clients benefit to the detriment of another group of clients. If there is a new client, it enters the last position for rotation purposes.

Individual and IRA accounts may not have access to the same mutual funds as the qualified plans. In addition, as described in “**Investment Strategies**”, qualified plans have access to institutional share classes and may have different securities available on their custodian’s platform. Therefore, individual and IRA accounts do not participate in the same trade rotation as qualified plans. We will use a separate trade rotation policy for individual and IRA accounts that will treat each of these accounts fairly.



## **Aggregation of Orders**

Because we primarily recommend mutual funds, all of which are priced at the end of the day, there is no benefit to our clients in aggregating trades.

## **REVIEW OF ACCOUNTS**

### **Reviews**

#### ***Qualified Plans***

You will receive an annual review of your account and are eligible to receive an additional review each quarter. These reviews generally include rate of return, asset allocations, and most recent account statement. All full service plan clients receive our quarterly market environment update and a quarterly fund performance update. We offer to meet with representatives of all of our plan clients at least once per year. If you would like a review, please contact your client relationship manager at (248) 620-8100 or [clientservice@freedomonefinancial.com](mailto:clientservice@freedomonefinancial.com). All reviews are conducted by your client relationship manager either in person, by phone, or by a written report sent via mail or email. All investment reviews are created by our investment advisory services group.

#### ***IRA and Individual Accounts***

If you are an IRA or individual client, you will receive statements from your custodian at least quarterly. We place a reminder on your brokerage statement to contact us if your financial situation changes. If you would like a review of your account, please contact our client service agent at (248) 620-8100 or [clientservice@freedomonefinancial.com](mailto:clientservice@freedomonefinancial.com).

#### ***Consulting Clients***

If you are a consulting client, we will specify in our agreement the reports we will deliver to you and the type of review we will provide.

### **Reports**

In addition to what is described above, you will be sent statements of your account from your custodian which will show your account balances and any transactions which occurred in the period. Statements are sent by the custodian on a monthly or quarterly basis.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, we may enter into written agreements with third parties to provide marketing services for us and solicit potential advisory clients for us. In addition, Freedom One Retirement Services may enter into written agreements with third parties to provide marketing services to Freedom One Retirement Services and solicit potential third party administration

clients. Those clients often become advisory clients as well. Thus, our solicitation agreements with third parties, whether entered into by Freedom One Retirement Services or by us will comply with Rule 206(4)-3 and other applicable requirements under the Investment Advisers Act of 1940. If there is a solicitor involved in your account, you will receive a separate solicitor's disclosure brochure describing our solicitation arrangement with your solicitor, the compensation we pay to your solicitor, and the terms of that relationship. You will also receive a copy of this Brochure.

We have a written policy with our employees in which we pay our employees fees for referring clients to us. In the case of a referral made by our employee, you will not receive a separate solicitor brochure. Our employees will not receive additional compensation if a terminated employee rolls over his or her 401(k) account to our IRA.

### **CUSTODY**

We do not have custody of client assets except as described in the next paragraph. You will receive statements from the broker-dealer, bank or other qualified custodian that holds and maintains your investment assets at least quarterly. We urge you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you, as described in the “**REVIEW OF ACCOUNTS**” beginning on page 14.

Previously, we had custody of IRA and separately managed accounts in an omnibus account. As of March 31, 2011, we had transferred all of the accounts held in the omnibus account into separate accounts with outside custodians; either Pershing, LLC or National Advisors Trust Company. One of the requirements of Rule 206(4)-2 of the Investment Advisers Act of 1940 (also known as the Custody Rule) is that we must have a reasonable basis, after due inquiry, for believing that the qualified custodian sends an account statement, at least quarterly, to each of our clients for which that custodian maintains funds or securities. There are seven accounts with National Advisors Trust for which we are not certain whether the clients are receiving statements because we are unsure if we have current address information. Thus, we could be deemed to have custody of those accounts. To comply with the Custody Rule, we have engaged Cohen Fund Audit Services, Ltd. to perform an independent verification of these accounts in accordance with the requirements of the Custody Rule.

### **INVESTMENT DISCRETION**

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

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

When selecting securities and determining amounts, we observe any investment policies, limitations and restrictions you provide to us in writing.

Whether or not we have discretion with respect to the assets of a qualified plan, the plan sponsor can choose to allow their participants to select to invest in accordance with certain investment allocation models that we have created. In some cases, the participants have authorized us to have discretion to periodically change the investment allocations within our MAPs as we deem appropriate and to rebalance the accounts of participants choosing to invest in our MAPs.

### **VOTING CLIENT SECURITIES**

We will not be responsible for and our qualified plan clients specifically undertake the responsibility of responding to or voting proxies that are solicited with respect to annual or special meetings of shareholders of securities held in your account. Proxy solicitation materials will be forwarded to you for response and voting.

### **FINANCIAL INFORMATION**

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

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