

Part 2A of Form ADV: Firm *Brochure*

Item 1 Cover Page

June 21, 2012

This brochure provides information about the qualifications and business practices of Hall and North Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at (281) 870-9400 and/or jnorth@consolidated.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Hall and North Financial Group, LLC, also is available on the SEC's website at www.adviserinfo.sec.gov.

Our Name and Address:

Hall and North Financial Group, LLC
3319 Louvre Lane
Houston, TX 77082

Our Contact Information:

Joann North, Registered Principal
(281) 870-9400
(281) 870-9404 (fax)
jnorth@consolidated.net
northj@financialnetwork.com
hallcraig@financialnetwork.com
Website: www.hallandnorthfinancialgroup.com

Item 2 Material Changes

This item describes any material changes to our brochure we must tell you about.

There are material changes to the following sections of this document since our last annual updated filing of this brochure, dated 03/02/12.: Items 2, 4, 5 and 10. We are here discussing only material changes since the last annual update

Item 3 Table of Contents

This item shows a table of contents for this document.

Page Number

| | | |
|---------|--|----|
| Item 1 | Cover Page | 1 |
| Item 2 | Material Changes | 1 |
| Item 3 | Table of Contents | 2 |
| Item 4 | Advisory Business | 3 |
| Item 5 | Fees and Compensation | 7 |
| Item 6 | Performance-Based Fees and Side-By-Side Management | 11 |
| Item 7 | Types of Clients | 11 |
| Item 8 | Methods of Analysis, Investment Strategies and Risk of Loss | 11 |
| Item 9 | Disciplinary Information | 13 |
| Item 10 | Other Financial Industry Activities and Affiliations | 13 |
| Item 11 | Code of Ethics, Participation or Interest in <i>Client</i> Transactions and Personal Trading | 13 |
| Item 12 | Brokerage Practices | 14 |
| Item 13 | Review of Accounts | 15 |
| Item 14 | Client Referrals and Other Compensation | 16 |
| Item 15 | Custody | 16 |
| Item 16 | Investment Discretion | 16 |
| Item 17 | Voting <i>Client</i> Securities | 16 |
| Item 18 | Financial Information | 16 |
| Item 19 | Requirements for State-Registered Advisors | 17 |

Item 4 Advisory Business

This item gives you information about our advisory business.

We are an investment advisor registered by the Texas State Securities Board. Our only owner is Stephen Craig Hall.

We began business as an investment advisor in January 2008.

As of 12/31/12 the amount of discretionary client assets we were managing was \$41,822,682 and the amount of non-discretionary client assets we were managing was \$3,616,497.

We give advice concerning the following types of investments (in general):

Stocks and bonds listed on an exchange or traded over-the counter, municipal bonds, warrants and corporate debt, foreign securities, certificates of deposit, variable insurance products, US government securities, options, securities options, mutual funds and limited partnerships investing in real estate, oil and gas interests and in other investments.

We provide financial planning and various managed account services described in this brochure. Fees for these services may be higher or lower than those charged by other advisors for comparable service. Our individual Advisory Affiliates have significantly different educational, professional backgrounds and experience that may account for differences in recommendations and fees.

Managed Account, Investment Management Services and Investment Supervisory Services

Investment Management Agreements are ongoing, and may be terminated at any time upon 30 days prior written notice by either party. We will pro-rate the fees to the date of termination. Financial Planning Agreements are terminated upon delivery by us of the Financial Plan to you, as detailed in the signed agreement, unless you and we execute a new contract for ongoing financial planning and/or consulting services.

Our managed account service is generally a mutual fund-based asset management program. However, some managed accounts may include the management of variable annuities and individual securities. The programs generally utilize asset allocation strategies and we do not attempt to engage in market timing or short-term trading strategies. Positions are generally held long-term; however, we may periodically rebalance your accounts to the original allocation mix. In addition, allocations may change from time-to-time depending on market conditions and/or changes in your goals and objectives. The program seeks to enhance long-term performance, while reducing volatility risk. (See Item 8 for an explanation of overall risk.) There is no guarantee, either implied or expressed, that such objectives will be met. Furthermore, over the long-term, such programs may be more expensive to you than purchasing mutual funds or other investments held over the same period.

Besides mutual funds, accounts may also include positions and transactions in individual securities and variable annuities. Individual securities may include both common and preferred stocks and bonds, including corporate debt, government and agency bonds and municipal securities.

Managed accounts may also be invested in limited partnership interests that may include, but are not limited to, agriculture, equipment leasing, raw land, alternative energy, and research and development programs. In addition, accounts may be invested in Exchange Traded Funds (ETFs). Management fees may not be charged on assets invested in Limited Partnerships and Real Estate Investment Trusts (REITs).

Accounts will generally not be extended margin loans.

We will not generally use Options and other derivatives. *However, we and our Advisory Affiliates may recommend that you place a portion of your invested assets in covered calls.*

Option trading strategy may not be suitable for you.

Financial Planning Services

By its nature, financial planning looks to the long term. After Advisory Affiliates evaluate your short-term cash needs and emergency funds, they design investment and insurance strategies to help achieve your financial goals. Casualty insurance (homeowners, auto and liability) is reviewed ONLY at your specific request and would be provided by an outside property and casualty insurance firm.

These services include the analysis of your individual needs, goals and objectives, including preparation of a written financial plan. Services may also include the review and analysis of specific issues and advice as contracted.

Financial plans may include recommendations involving various life insurance products. Fees are not charged for that portion of the financial plan that involves the purchase, termination or exchange of any life insurance contract. The only compensation earned for life insurance products will be in the form of commissions, earned by Financial Network Investment Corporation (Financial Network), affiliated insurance agencies or its representatives in their individual capacity as licensed insurance agents.

For accounts managed by us, your portfolios are managed by our Advisory Affiliate on either a discretionary or a non-discretionary basis as per the Investment Management Agreement ("agreement").

The minimum account size is generally \$200,000.

Advice offered by Advisory Affiliates may involve investments in mutual funds or variable annuities that pay commissions, including 12(b)-1 fees or other compensation, from the respective product sponsor. Advisory Affiliates in their capacity as Registered Principals of the broker/dealer or agents of insurance companies may share some of those fees or other compensation. This could present a conflict of interest in that the Advisory Affiliates would be receiving both investment advisory fees and other compensation and might therefore recommend purchases that would bring them the highest total compensation. All allowable compensation is disclosed in the prospectus. Fees may not be charged on a commissionable variable annuity purchased for a managed account, until two (2) years after the initial purchase.

(Please see Item 5 for how we remove this possible conflict of interest so that all advice and trades consider only your best interests.)

We will always reveal all such possible conflicts mentioned in the paragraph above to you when giving you investment advice. In addition, our Chief Compliance Officer reviews all advice given to you and transactions made for you to be sure Advisory Affiliates are not giving you advice based on their total possible compensation but only based on your personal needs.

You do not have to use our advice or the brokers, insurance companies or custodians we suggest but may use other brokers to purchase products. However, if we place trades for you we are required to do so through Financial Network.

Our Advisory Affiliates are also registered with a broker-dealer, Financial Network, to sell securities and insurance. Generally, assets are held in custody by Financial Network's clearing broker, Pershing, LLC (Pershing). Variable annuity assets are generally held in custody by the respective insurance carrier.

(Please also see Item 12 for information on brokerage practices and conflicts of interest.)

The title to all securities remains in your name or the name of the trustee, allowing you to withdraw, hypothecate, vote proxies and/or pledge any or all of the securities held by the custodian/clearing broker-dealer (Pershing). For assets held in custody by Pershing, Pershing issues all confirmations, as well as quarterly account statements. For assets held with another financial institution, each respective company will issue confirmations and statements. You may restrict our selection of securities for your programs by indicating such restrictions in your Investment Management Agreement or by subsequent written request to us.

The educational and business background of each of our Advisory Affiliates is retained separately in an electronic format. That information for the Advisory Affiliates who will be working with you is provided to you with Form ADV, Part 2B, at the inception of the advisory services relationship.

Our Advisory Affiliates must have obtained the appropriate securities licenses and be registered representatives or registered principals with Financial Network. Certain states may also require affiliates to obtain the NASAA Investment Advisor Registration (Series 65) or the NASAA Uniform Combined Registration (Series 66) by passing a suitable exam.

Although not required, some Advisory Affiliates are Certified Financial Planners ("CFP®"). Some hold a Bachelors degree in various disciplines.

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the "CFP® marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;

Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and

Ethics – Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and

Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Any controversies between you and ourselves arising out of our business, except for those disputes that are held to be non-arbitratable as a matter of law, shall be submitted to arbitration conducted under the provisions of the commercial arbitration rules of the American Arbitration Association. Arbitration must be commenced by service upon the other party of the written demand for arbitration, or a written notice of intention to arbitrate. Judgment upon any award rendered by the arbitrators shall be final and may be entered in any court having jurisdiction thereof. This clause does not constitute a waiver of any right provided by the Investment Advisers Act of 1940, as amended, including the right to choose the forum, whether arbitration or adjudication, in which to seek resolution of disputes.

Item 5 Fees and Compensation

This item gives you information about the fees or other compensation we may receive from you or from others in connection with or as a result of giving you investment advice.

We provide various managed account services and financial planning described in this brochure. Fees for these services may be higher or lower than those charged by other advisors for comparable services. Our individual Advisory Affiliates have significantly different educational and professional backgrounds and experience that may account for differences in recommendations and fees. The minimum account size generally is \$200,000.

Investment Management:

A. We determine payment of fees for investment management according to each individual arrangement. Our Standard Fee Schedule for investment management, paid quarterly in arrears, based on your asset balances under our management at the end of each quarter is shown below. It is negotiable depending on your individual situation, at our discretion.

| Total Assets Under Management | Annual Fee |
|-------------------------------|------------|
| \$ 0 - \$ 250,000 | 1.50% |
| \$ 250,001 - \$1,000,000 | 1.25% |
| Over \$1,000,000 | 1.00% |

B. We withdraw Investment Management Fees quarterly, in arrears, from your account with Pershing LLC (Pershing), the custodian holding your funds and securities and pursuant to your client agreement. We notify Pershing of the amount of the fees to be paid by them concurrently with the mailing of a notice to you. The billing notice we send to you will provide the value of the account, the amount to be deducted and the method of calculation. Pershing also agrees to send quarterly statements to you indicating all amounts disbursed from your account. Fees for the first quarter that we work for you are charged on a pro-rata basis.

It is your responsibility to verify the accuracy of the fee calculation; you are provided with documentation and information about your accounts from the custodian, such as account statements and confirmations, and therefore are able to perform an independent review. Pershing will not determine the accuracy of the fee calculation.

C. Transaction charges for Pershing trade execution, as well as charges for clearing and custodial services may be charged directly to your account as agreed with the broker.

Besides the management fee paid to us for advisory services, if your assets are invested in mutual funds, you may pay additional fees on the mutual fund investment because the mutual funds also pay advisory and/or management fees to their own investment advisor. Mutual funds may on occasion also impose a redemption fee. You may find details for these fees in the mutual fund prospectus.

If a variable annuity with an upfront commission is purchased in a fee based account, we will not charge you advisory fees for the management of that asset until two (2) years after the purchase date.

(Please see Item 12 Brokerage Services for further information on our brokerage practices and broker charges.)

D. After the first five (5) business days following execution of an investment management Agreement, the Agreement may then be terminated at any time upon 30 days prior written notice by either party. Fees will be pro-rated to the date of termination.

WE WILL REFUND ANY FEES IN FULL THAT YOU HAVE PAID IN ADVANCE IF YOU CANCEL AN AGREEMENT WITHIN FIVE (5) BUSINESS DAYS AFTER SIGNING THE AGREEMENT. AFTER FIVE (5) BUSINESS DAYS, FEES ARE PRO-RATED BASED ON THE DATE OF TERMINATION AND WORK COMPLETED.

E. Financial Network and the Advisory Affiliate who handles your account may receive commissions resulting from securities or insurance transactions. They may also receive 12b-1 service fees from certain mutual funds as disclosed in the prospectus. These 12b-1 service fees are generally not credited against program fees.

Since our Advisory Affiliates are also Registered Principals with Financial Network, a broker-dealer, if they are asked by you to buy or sell a security or insurance for you, they may receive a commission as well as investment advisory fees. This could present a conflict of interest because there could be an incentive to recommend a particular security or insurance product based on the compensation the Advisory Affiliate would receive rather than your needs. We would always tell you there was a possible conflict in such a case. In addition, our Chief Compliance Officer reviews all investment advice our Advisory Affiliates provide as well as the orders for transactions they submit to Financial Network. Note below how we remove such conflicts of interest.

If, as a result of investment advice given to you by one of our Advisory Affiliates, you were to purchase or sell a securities investment or an insurance policy from one of our Advisory Affiliates they would not receive a portion of the standard commission for such a sale. Instead, they would enter the trade with a discounted commission and would receive no portion of the commission on such a trade for you.

The relationship with Financial Network Investment Corporation noted in Item 4, above, therefore would not give us any incentive to recommend investment products based on anything other than on your needs.

Commissions on insurance products get paid directly to the broker-dealer so we discount your investment advisory fees a like amount when one of our Advisory Affiliates receive a commission.

Fees may not be charged on a commissionable variable annuity purchased for a managed account, until two (2) years after the initial purchase.

Fees may be reduced based on services rendered and/or larger account sizes, but we are not required to do so.

COMMISSIONS MAY OR MAY NOT BE CREDITED AGAINST PROGRAM FEES. HOWEVER, TOTAL COMPENSATION (INCLUDING COMMISSIONS & FEES) FOR ADVISORY SERVICES WILL NOT EXCEED 3% OF YOUR ASSETS UNDER MANAGEMENT PER YEAR.

In any case you are not obligated to act on our investment advice or to make any transactions through our Advisory Affiliates or through the broker-dealer with which they are associated or through any other person, but may use other brokers or agents that are not affiliated with us.

Financial Planning:

Depending on the complexity of a case and the experience of the particular Advisory Affiliate, the fees charged could constitute several thousand dollars. Fees may be negotiated to a lower amount or waived entirely. Fees may be fully or partially offset by commissions that are earned by Advisory Affiliates in their various registered or licensed capacities. Neither we nor our Advisory Affiliates are under any obligation to reduce or waive such fees.

The Financial Planning Agreement terminates upon delivery of the Financial Plan, as detailed in the signed agreement, unless you contract for ongoing financial planning and/or consulting services from us.

A. Fees are fully negotiable with the maximum fee billed at 3% per annum and may be calculated as hourly fees and/or fixed fees, which are computed on the basis of your assets or the complexity of the analysis or plan. The amount of fees and the manner of computation are contained in each Financial Planning Agreement. Hourly fees will not exceed \$350 per hour. The total amount of financial planning fees billed, whether hourly or fixed, will not exceed three (3%) of the market value of any investments under management. Lower fees may be available for larger accounts.

We will charge one of the following fees for financial planning, as approved by you:

An hourly fee of \$200.00.

A fee for a Partial Plan or Divorce Settlement Analysis of \$ 200 per hour (with a five hour minimum).

A one-time flat project fee determined in advance.

A one-time flat fee for a Comprehensive Financial Plan of \$ 1,800.

B. Fees for financial planning are due as agreed per your signed client agreement. If you have a managed account held by Pershing as custodian, you have the option to have your Financial Planning Fees deducted from that account. In these instances, you will need to sign an authorization permitting the financial planning fees to be deducted from your managed account at Pershing. In the event that you do not have a managed account with Pershing, we will invoice you for the Financial Planning Fees and you will pay by check.

C. Transaction charges for Pershing trade execution, as well as charges for clearing and custodial services may be charged directly to your account as agreed with the broker.

Besides any fee paid to us for advisory services, if your assets are invested in mutual funds, you may pay additional fees on the mutual fund investment because the mutual funds also pay advisory and/or management fees to their own investment advisor. Mutual funds may on occasion also impose a redemption fee. You may find details for these fees in the mutual fund prospectus.

If a variable annuity with an upfront commission is purchased in a fee based account, we will not charge you advisory fees for the management of that asset until two (2) years after the purchase date.

(Please see Item 12 Brokerage Services for further information on our brokerage practices and broker charges.)

D. You may pay Financial Planning Fees in advance, with the balance paid upon completion of the services or the plan. *However, we will charge no more than \$500.00 in advance in a six month period for any financial planning services that we are going to provide you as an advisory client.*

If you pay Financial Planning Fees in advance, after the first five (5) business days following execution of this Agreement, this Agreement may then be terminated at any time upon 30 days prior written notice by either party. If you have paid fees prior to the commencement of services those fees will be refunded if we have performed no work for you. If work has commenced, we reserve the right to charge a reasonable fee for our services and time already expended, subject to a full refund if services are canceled in the first five (5) business days. Fees will be pro-rated to the date of termination.

WE WILL REFUND FEES IN FULL THAT YOU HAVE PAID IN ADVANCE IF YOU CANCEL AN AGREEMENT WITHIN FIVE (5) BUSINESS DAYS AFTER SIGNING THE AGREEMENT. AFTER FIVE (5) BUSINESS DAYS, FEES ARE PRO-RATED BASED ON THE DATE OF TERMINATION AND WORK COMPLETED.

E. Financial Network and the Advisory Affiliate who handles your account may receive commissions resulting from securities or insurance transactions. They may also receive 12b-1 service fees from certain mutual funds as disclosed in the prospectus. These 12b-1 service fees are generally not credited against program fees.

Since our Advisory Affiliates are also Registered Principals with Financial Network, a broker-dealer, if they are asked by you to buy or sell a security or insurance for you, they may receive a commission as well as investment advisory fees. This could present a conflict of interest because there could be an incentive to recommend a particular security or insurance product based on the compensation the Advisory Affiliate would receive rather than your needs. We would always tell you there was a possible conflict in such a case. In addition, our Chief Compliance Officer reviews all investment advice our Advisory Affiliates provide as well as the orders for transactions they submit to Financial Network. Note below how we remove such conflicts of interest.

If, as a result of investment advice given to you by one of our Advisory Affiliates, you were to purchase or sell a securities investment or an insurance policy from one of our Advisory Affiliates they would not receive a portion of the standard commission for such a sale. Instead, they would enter the trade with a discounted commission and would receive no portion of the commission on such a trade for you.

The relationship with Financial Network Investment Corporation noted in the paragraph above therefore would not actually give us any incentive to recommend investment products based on anything other than your needs.

Commissions on insurance products get paid directly to the broker-dealer so we discount your investment advisory fees a like amount when one of our Advisory Affiliates receive a commission.

Fees may not be charged on a commissionable variable annuity purchased for a managed account, until two (2) years after the initial purchase.

Fees may be reduced based on services rendered and/or larger account sizes, but we are not required to do so.

COMMISSIONS MAY OR MAY NOT BE CREDITED AGAINST PROGRAM FEES. HOWEVER, TOTAL COMPENSATION (INCLUDING COMMISSIONS & FEES) FOR ADVISORY SERVICES WILL NOT EXCEED 3% OF YOUR ASSETS UNDER MANAGEMENT PER YEAR.

In any case you are not obligated to act on our investment advice or to make any transactions through our Advisory Affiliates or through the broker-dealer with which they are associated or through any other person, but may use other brokers or agents that are not affiliated with us.

Item 6 Performance-Based Fees and Side-By-Side Management

This item discusses whether we charge any Performance-Based Fees and, if we do, the procedures we have set up to protect you.

We do not charge Performance-Based Fees

Item 7 Types of Clients

This item tells you about the types of clients to whom we give investment advice.

We provide investment advice to individuals (including high net worth individuals), trusts, estates, charitable organizations, pension and profit sharing plans, corporations or other business entities,

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

This item discusses the way we analyze securities investments, the investment strategies we use in suggesting investments for you and the risk of loss you may incur in making investments.

We may use fundamental analysis or technical analysis in looking at your accounts. One of the reasons that we utilize more than one type of analysis is to reduce risks induced by utilizing only one type of analysis (see discussion of risk below).

In general, the investment strategies we use to implement any investment advice that we give to you might include either long term purchases or short-term investments.

Every type of investment analysis has its drawbacks and risks (see discussion of risk below). So does each type of investment strategy. Many of the risk factors discussed below apply to the various types of analysis and strategy.

There is always a risk of loss connected with investing. This is true whether you are investing in securities or in other types of investments. You, as an investor, should be prepared to accept this risk. One way to lessen it is to diversify your investments so that when one goes down another may rise. Part of our job as your advisor is to help you understand this risk and to suggest ways for you to minimize this risk.

Below is a discussion of some types of risk that you may encounter in securities investing:

Credit risk

The issuer of a security in which you invest, either directly or through a mutual fund, may default (may be unable to pay the principal or to make interest payments, or otherwise fulfill its obligations to investors) or in some cases may even decide to stop or reduce dividends.

If the issuer of your security falls out of favor or has its credit rating cut, the price could fall and you could lose money if you need to sell before maturity. If the issuer goes bankrupt, you could lose it all.

Economic risk

The state of the nation's or the world's economy may change drastically and that may well affect your investments.

Foreign exchange risk.

If you invest in a foreign security, it may go up in value but, when you sell it and attempt to turn it into cash from selling it you may find that a change in the rate for exchanging foreign funds into US dollars wipes out some or all of your profit.

Inflation Risk

Investors typically are locked into the interest rate paid on municipal bonds. If inflation should rise dramatically, the after inflation return on bonds can be negatively affected. As a result, the bond would likely lose value in the open market.

Interest rate risk.

If you are investing to realize a certain amount of income and that income stream is dependent on the investment paying a certain interest rate, changing conditions may affect that interest rate and your income from that investment. If rates in the market rise, the underlying market value of existing bonds with a lower yield can decline. If you decide to sell a bond before maturity, this could result in a loss of principal value.

If you buy a bond or other fixed-income investment and interest rates subsequently rise, the price of your bond will probably fall. The longer the maturity of your bond, the bigger the drop. If you need to sell it before it matures, you could get back less than you paid. (The reverse is also true: if interest rates fall, the bond's price will rise.)

You can mitigate this risk by never buying a bond that matures before you need the money.

Liquidity risk.

The ability to sell a bond in the open market requires a buyer. If an investment has gained value since you bought it but you can't find a buyer for it when you want to sell it, it is illiquid at that point and you may not be able to liquidate it for current intrinsic value. Some bonds, from smaller issuers in particular, may not have broad appeal to investors, potentially driving down the price in the open market.

Many fixed-income investments don't trade in large numbers or very often. If you need to sell in a hurry, it might be at a fire sale price.

Management risk

If you are investing in mutual fund shares and the particular mutual fund is an "actively managed fund" then there is no guarantee that the investment manager's decisions regarding investment techniques, risk analysis and other matters will produce the desired results that you are seeking.

Market risk.

In making an investment you are usually betting that the market will behave in a way that will be to your advantage. That does not often hold true over a long period of time and it sometimes does not even hold true over a short period either.

Revenue Risk

Bonds that are dependent on revenue streams from specific projects such as toll roads and bridges may rely on the ability of the project to meet revenue projections (note that many municipal bonds are backed by the taxing authority of the issuer, rather than a revenue source as outlined here).

Volatility Risk

This is the measure of uncertainty in the future price of an asset. It is a measure of price fluctuations over time represented by annualized standard deviation. If an asset has rapid dramatic price swings, volatility will be high. If asset price is consistent and rarely changes, volatility will be low.

Item 9 Disciplinary Information

This item discusses any disciplinary events that have involved this firm.

There have been no disciplinary problems involving our firm or any of our firm's personnel.

Item 10 Other Financial Industry Activities and Affiliations

This item discusses any other financial industry activities and associations of us or of our executive officers.

Our only business is giving investment advice.

Craig Hall and Joann North are our investment advisory representatives. They are also registered agents (called Registered Principals) of Financial Network Investment Corporation, a securities broker-dealer.

(Please see Item 5 for a discussion of any potential conflicts of interest resulting from the relationship outlined in the paragraph above and how those conflicts have been removed.)

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

This item refers to our Code of Ethics and how you may obtain a copy.

The requirement for a Code of Ethics (the "Code") was adopted by the Securities & Exchange Commission under Section 204 of the Investment advisers Act of 1940 to set forth standards of conduct and fiduciary standards expected of investment advisors and their personnel. Our Code of Ethics is summarized as follows:

The Code was prepared with the general principle to always place the interests of clients first.

In compliance with the Code, all our Advisory Affiliates and employees are required to report their personal securities' accounts held with a broker/dealer upon joining the firm and then annually thereafter. Advisory Affiliates are also required to provide duplicate confirmations and statements to us at least on a quarterly basis. Advisory Affiliates and employees are to conduct all personal securities transactions in a manner consistent with the Code and to avoid any actual or potential conflict of interest.

We and our Advisory Affiliates must maintain confidentiality of all information concerning the identity of your securities holdings and your financial circumstances.

In servicing your accounts, Advisory Affiliates must not take inappropriate advantage of their positions. For instance, in connection with the purchase or sale of a security, Advisory Affiliates may not, directly or indirectly, mislead or defraud you regarding a security held or to be acquired by you in any manner.

Advisory Affiliates and our employees are encouraged to report any violation of the Code to the Chief Compliance Officer (or his/her designee)

We will provide you or any prospective client with a copy of our Code of Ethics upon request.

We or our Advisory Affiliates may purchase or sell the same securities that we have recommended to you, and we may give advice on securities we or our Advisory Affiliates already own. This may be seen to cause a conflict of interest. In all cases we will tell you about any such possible conflicting situations when we are working with you. In addition, our Chief Compliance Officer monitors and reviews all investment advice given to look for such possible conflicts.

Item 12 Brokerage Practices

This item discusses the way we handle brokerage activities for you and our other clients.

Since our principals and Advisory Affiliates are registered representatives with Financial Network, if you freely choose to implement advice through us, the broker/dealer generally is Financial Network. However, you may select the broker/dealer of your choice for trade execution purposes.

Financial Network performs due diligence on mutual funds, limited partnerships, real estate investment trusts and insurance products. Only those investments that meet firm requirements are offered for sale to your or other clients by our affiliates. As such, you may be limited to those approved investment products. We understand our duty for best execution and consider all factors in making recommendations to you.

You do not have to use our advice or the brokers, insurance companies or custodians we suggest but may use other brokers to purchase products.

While we may not always obtain the lowest commission rate, we believe the rate is reasonable in relation to the value of the brokerage and research services provided.

You can select any brokerage firm for custodial and trade execution services. However, if you wish us to place trades for you we are required to do so through Financial Network and their clearing broker, Pershing.

Financial Network, in its capacity as broker/dealer, has formed alliances with certain mutual fund, variable insurance, and other product sponsors that provide additional compensation to Financial Network other than the commissions and service fees disclosed in the sponsor's prospectus. This compensation is strictly used to fund training, educational seminars and conferences for Financial Network's representatives. Our Advisory Affiliates (who are Registered Principals of Financial Network) do not receive any additional compensation in connection with the sales of products from these sponsors. This additional compensation Financial Network receives is either an additional percentage of sales of products from these

companies, or amount of assets held at the product sponsor. Some of these sponsors pay a flat fee instead of paying a percentage of product sales or assets under management. For additional information please see the Financial Network website www.financialnetwork.com.

While individual client advice is provided to each account, client trades may be executed as a block trade. No advisory account within the block trade will be favored over any other advisory account and thus each account will participate in an aggregated order at the average share price. The aggregations should, on average, reduce the cost of execution. Advisory Affiliates will not aggregate your orders if they believe that the aggregation would cause your cost of execution to increase. The custodian will be notified of the amount of each trade for each account.

Advisory Affiliates may participate in block trades with you or other clients and may also participate on a pro rata basis partial fills, but only if you or other clients receive fair and equitable treatment.

Item 13 Review of Accounts

This item describes how we review your accounts and any reports you may receive.

Advisory Affiliates provide advice during normal business hours and may determine, periodically as contracted, appropriate changes to your account portfolios based on changes in market conditions or changes in your financial circumstances, goals and objectives. Fees may also include financial planning services and/or periodic reports reflecting all investments and realized and unrealized gains and losses. Such reports may address additional financial planning recommendations and updates as contracted for.

Our Advisory affiliates generally provide financial planning and asset management services. The affiliate, contracted by you, performs the reviews as indicated in the advisory services agreement. Individual management accounts are generally reviewed quarterly or as agreed. Advisory affiliates generally recommend that financial plans be reviewed and updated annually. However, we and our affiliates are under no obligation to perform such reviews of financial plans, unless contracted for by you under the terms of a separate agreement.

A written report is generally issued to you according to the terms of the financial planning agreement entered into by you. Quarterly performance reporting may be provided by us or through our Advisory Affiliate per agreement.

Status reports and billing statements are issued quarterly for your investment management accounts.

You will also receive trade confirmations and statements from the custodian of the account. Periodic brokerage statements are included.

Other reports and reviews are issued to you on an "as contracted for" basis and may be oral or written depending on the nature and scope of the services desired by you.

Item 14 *Client* Referrals and Other Compensation

This item discusses any compensation we may receive for referring you to other investment advisors or any other compensation we may receive from persons other than yourself for giving you investment advice.

We do not have any arrangements to refer clients to other investment advisors.

We do not compensate anyone for referrals of clients to us.

Item 15 *Custody*

This item reveals any types of custody we may have or may accept in the future.

We do not accept custody of any of your client assets.

Item 16 *Investment Discretion*

This item discusses any types of investment discretion we may have or may accept to make securities trades for you.

We may accept from you a limited power of attorney to make discretionary trades for you. That limited power of attorney would let us determine the securities to be bought or sold and the amount of securities to be bought or sold for you.

Item 17 *Voting Client Securities*

This item discusses our policy regarding voting proxies or other matters concerning your securities.

Neither we nor our Advisory Affiliates vote proxies on your behalf. It is your responsibility to vote proxies for securities held in your portfolio.

Usually the transfer agent of the company issuing the security will send proxy materials or other solicitations directly to you or the custodian of your assets – Pershing or a mutual fund or an insurance company. If you have any questions, please contact us and we will be happy to assist you in obtaining or answers to those questions.

Item 18 *Financial Information*

This item shows any financial information we must provide to you.

There are no factors that require us to provide any financial information under this item.

Item 19 Requirements for State-Registered Advisors

This item discusses any types of disciplinary problems that involve us or our employees, and certain other information required by state securities authorities.

Craig Hall is our Managing Manager and Chief Compliance Officer.

Craig Hall and the broker-dealer he was with at the time were the subject of a customer complaint in 1999 that was settled in mediation.

There are no disciplinary problems concerning us or our employees.

(Please also see the Forms ADV, Part 2B, for Craig Hall and for Joann North.)