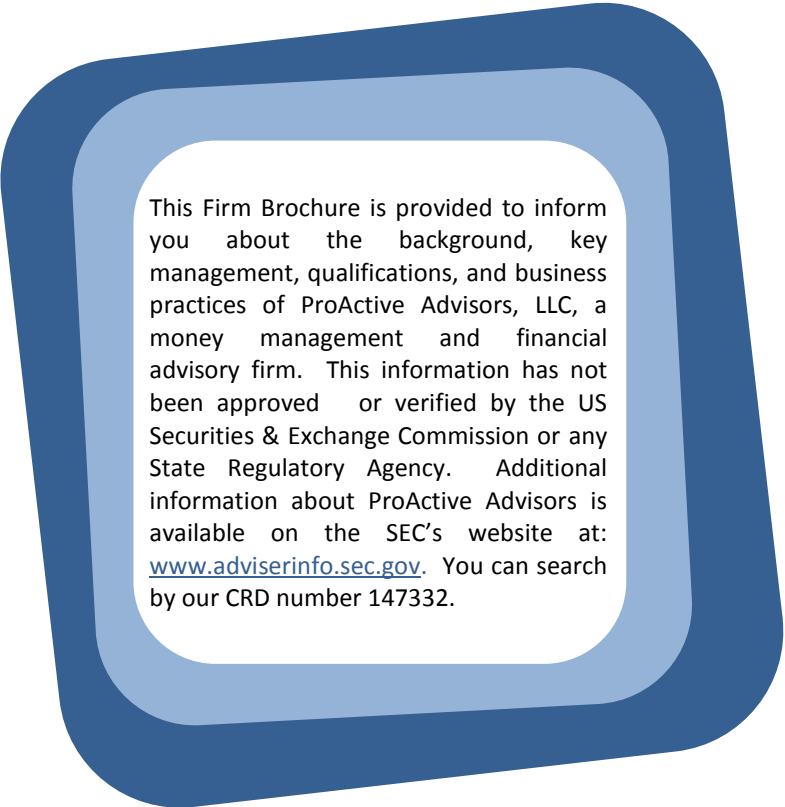


# ProActive Advisors, LLC

444 East Main Street ■ Suite 110 ■ Lexington, KY ■ 40507

Telephone (859) 263-1117 ■ Toll Free (800) 737-1117



This Firm Brochure is provided to inform you about the background, key management, qualifications, and business practices of ProActive Advisors, LLC, a money management and financial advisory firm. This information has not been approved or verified by the US Securities & Exchange Commission or any State Regulatory Agency. Additional information about ProActive Advisors is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search by our CRD number 147332.

FORM ADV PART 2A "FIRM BROCHURE" DATED SEPTEMBER 20, 2012

**QUESTIONS?** EMAIL US AT [INFO@PROACTIVEADVISORSLLC.COM](mailto:INFO@PROACTIVEADVISORSLLC.COM)

[WWW.PROACTIVEADVISORSLLC.COM](http://WWW.PROACTIVEADVISORSLLC.COM)

&

[WWW.PROACTIVEMONEYMANAGMENT.COM](http://WWW.PROACTIVEMONEYMANAGMENT.COM)

*Registration of an Investment Advisor does not imply any level of skill or Training*

## Item 2 Material Changes

This “Firm Brochure” dated September 20, 2012 is provided pursuant to US Securities & Exchange Commission rules adopted for Registered Investment Advisors to highlight material changes in their business and operations. This information replaces and updates ProActive Advisor LLC’s previous filing made 8/03/2012.

This notice revises our fee schedule increasing our annual fees (see page 5: Fees & Compensation), subject to the same minimum charge unless waived or contractually modified. Existing client agreements as to the percentage fee payable does not change and client accounts will be billed in accordance with either their minimum contractual amount or the percentage fee specified in their investment advisory contract. Only new Advisory Agreements are affected by this fee schedule change. Other notices are as follows”

1. We are transitioning our registration to the state jurisdictions in which we do business and in doing so are conforming our ADV, Investment Advisory Agreement and practices to comply with those state’s statutes. A Material change is the temporary removal of our subscription based services to give us more time to internet-enable them for nationwide availability.

Additionally, we are deemed to have custody under Kentucky Administrative Regulations owing to our practice of relying on statements provided by client custodians for fee invoicing instead of separately sending itemized invoices to clients detailing the formula, amount and period used in calculating our Advisory fee.

2. We are amending our ADV, this Firm Brochure and IA Agreement to be consistent in their disclosure of our practices including conforming this Brochure’s Table of Contents titles to be uniform with others, though ours will continue to include additional information we think is important for clients to consider.

## Item 3 Table of Contents

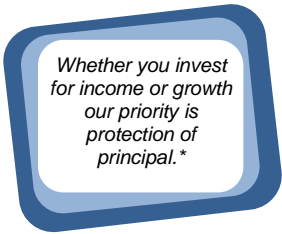
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## Item 4 Advisory Business

ProActive Advisors, LLC (also “ProActive” or “ProActive Advisors”) primarily provides Investment Management Counsel to clients. This means we mainly manage money for clients making their investment decisions for them and provide financial advice, including financial planning services, but do not sell investments—our Planning services are an ancillary step in determining how to best solve a financial problem and reach a financial goal. We operate under a fiduciary standard of care, always utilizing qualified, third-party custodians who provide independent statements directly to clients. This transparency, together with our fee for services based compensation, is intended to help assure clients that “what we do is on their behalf, and in their best financial interest”.

ProActive Advisors was founded by Lawrence S. York, the firm’s Chief Investment Officer and Managing Director. Our firm manages the 360Portfolios, five (5) actively managed investment models targeting Growth with Capital Preservation at various risk-reward levels. As of 12/31/2011 ProActive Advisors had \$32,779,108 in assets under management of which \$11.6 million was managed on a non-discretionary basis. The firm’s principal offices are located at Goodwin Square in downtown Lexington, Kentucky. Mr. York is sole principal shareholder controlling 25% or more of the firm. ProActive Advisors commenced operations in 2008 following Mr. York’s 24 year career as financial advisor with various broker dealers. (See also: Requirements for State Registered Advisors).



*Whether you invest for income or growth our priority is protection of principal.\**

### Advice & Financial Planning Services

Financial planning services may also be provided under a separate engagement agreement outside the scope of our standard Investment Advisory Agreement services. These services are conducted on hourly fee or project quoted basis. These planning services can be comprehensive or *a la carte* to focus on a particular financial issue or problem. The various financial planning services we offer, which may be provided in collaboration with other professional advisors with the Client or Member’s consent and authorization, are described under Financial Planning Services Description later on in this brochure.

ProActive’s primary objective for Advisory Clients is to help you grow your savings while preserving what you have saved against debilitating market loss. We have developed a proprietary investment discipline\* (see: Methods of Analysis Investment Strategies & Risk of Loss) engineered to compound money while being proactive in managing portfolio risks employing the following principles:

- 1. Keeping Costs Low**
- 2. Finding Timely Opportunities**
- 3. Pro-actively Managing Risk**

\*There is no guarantee our methodology will achieve its objective. All investments involve risks and an investor’s account may be worth more or less than their original principal when redeemed.

Clients can choose among five (5) Model portfolio types with formulated Risk-Reward targets—or mix them to better suit their needs. We refer to these portfolio types as **ProActive's 360Portfolios™**

<b>IncomeMax—</b>	Targets current income with 5 - 8% annual returns and stable principal value.
<b>Growth&amp;Income—</b>	Targets 8 -10% average, annual total returns with no greater than 10% principal risk.
<b>Growth—</b>	Targets 10-12% annual, compounded returns with less than market volatility and loss.
<b>GroPlus—</b>	Targets above-average, annual compounded returns of 12-15% using hedging & risk management to limit market loss.
<b>AGGroMax—</b>	Targets high, compounded returns of 15% or better using leverage to enhance returns and long & short increase returns and combat market loss.

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Risk-Reward targets are goals and not guarantees of profit. Likewise goals of 'less than market volatility & loss' do not guarantee against loss of principal and no guarantee is implied or made. All investments have risks and past returns do not guarantee future returns will be similar. 360Portfolios are not mutual funds or pooled accounts, but model portfolios for individual accounts. Performance and returns will differ from actual accounts due to transaction timing & costs, management fees, the impact of contributions and withdrawals, as well as other compounding factors. (See Methods of Analysis, Investment Strategies, and Risk of Loss)

## **Item 5 Fees & Compensation**

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ProActive Advisors is compensated for its investment management services, advice and guidance solely by fees paid directly by clients. We do not receive commissions, 12b-1 fees from mutual funds, or any rebates or split-fees on custodial or transaction charges for security business we place. In addition, ProActive Advisors does not receive “*soft-dollar*” benefits from Broker Dealers for executing client transactions with them, though we do receive or gain access to trading platforms, information and research that we believe is beneficial to our execution of trades that directly benefits our Clients. For example, we may recommend a custodian or brokerage firm because they offer a no transaction fee platform, only permit fee-based advisors to transact business with them, or provide technology to place block or fractional share trades that benefits our clients.

Money Management fees, not including financial planning fees are calculated based upon a percentage of the account value, subject to a minimum fee of \$2500/year unless waived or modified by the firm’s managing partner. Unless other payment arrangements are made, fees are debited from your account. We will not increase our advisory fees without giving 30 days prior written notice and any change will require your acknowledgement. Our fees are typically billed quarterly in advance and calculated according to the formula: *Account value x Fee = Annual fee payable*. Your quarterly fee is the product of the Annual Fee

multiplied by the number of days in the quarter (#days/365). Account values are provided by the third-party custodians. Family member accounts may be aggregated for fee calculation purposes. New client's accounts commencing between quarters are billed on a pro rata basis for the remaining days in the quarter plus the following quarter's fee. Clients making contributions into, and withdrawals from, their account during a billing period do not have their fees prorated for the days these funds were managed or not. Fixed Income only account management fees are 0.50% annually for the first \$2.0 million and then billed at one-half our standard fee schedule rate:

#### **ProActive Advisor's Standard Fee Schedule**

Assets	Annual Fee
\$1 - \$999,999	1.50%
\$1,000,000 - \$2,000,000	1.00%
\$2,000,001 - \$5,000,000	0.75%

Money management Fees are negotiable based upon asset size and number of accounts.

Not included in our management fees are brokerage and/or custodial charges. Additionally mutual funds, exchange traded funds (ETFs), and partnership have internal expenses which are additional and typically deducted out of the daily net asset value. These fees and charges are described in each fund's or sponsor's prospectus and generally include 12b-1 distribution and service fees paid to broker dealers and their registered representatives.

We do permit our insurance licensed Investment Advisor Representatives (IARs) to sell Term, Whole Life, and Fixed annuity insurance products even though the insurance company may pay them additional compensation. The rationale for permitting this, though the additional compensation could provide incentive to recommend these products and create a conflict of interest, is that clients have the prerogative to purchase needed insurance through agents elsewhere and Life Insurance and principal guaranteed savings vehicles serve basic needs of individuals desiring principal protection and family security. To address the concern that "client need" rather than additional compensation is the motive for making the recommendation, ProActive compliance examines client suitability to verify client need and requires disclosure of the IAR's "Agent" capacity to clients.

This Agreement has an open end Term but may be terminated at the end of any quarter by either party providing 30 days written notice to the appropriate parties' last known address. If you transfer your account without notice to us, or upon death, this agreement will automatically terminate but management fees through the end of quarter will not be prorated and refunded to accommodate post-management client services including documentation requests such as duplicate statements, cost basis information, tax reporting assistance, and estate distribution assistance.

ProActive negotiates arrangements with custodians and broker dealers permitting Accounts held by them to be linked to the 360Portfolios models to facilitate favorable trade execution. By being linked, your account is eligible to purchase lower cost share classes of thousands of mutual funds and Exchange Traded Funds and receive discounted transaction fees on certain transactions you otherwise may not be able to receive. And because ProActive pre-screens investment selections going into the 360Portfolios<sup>sm</sup> models we can screen out selections with high internal costs to increase savings to your bottom line.

Custodians and Broker Dealers' transaction fees and charges are set by them and ProActive does not receive any part of them. These transaction fees may be a per-trade cost or an annual, fractional percentage point of assets held on your behalf by the custodian or broker dealer. In any case ProActive works on our Client's behalf to negotiate better than average competitive pricing arrangements to serve our Member clients. Custodians, broker dealers and mutual fund companies may, and often do, impose early redemption charges for purchasing and then selling a Fund/ETF within a 30-90 day period if disclosed by prospectus. ProActive normally avoids such charges but principal protection or client requested redemptions trump that consideration.

#### **-Financial Planning Fees - \$250/Hour or Quoted Price**

Financial Planning fees are billed by agreement with the client usually with a retainer fee up-front and balance upon completion based on the estimated time and work involved. These services are normally billed at a \$250 per hour rate or by a quoted project charge. Work delayed or not able to be finished because incomplete information is provided by the client data is billed as completed after 90 days and three notices with no resolution.

#### **-Payment of Management & Financial Planning Fees**

Clients may choose to have fees deducted from a designated account at their brokerage firm or other custodian, pay by debit or credit card, ACH draft, or be invoiced quarterly and pay by check. Our standard practice is to debit client accounts for fees for services.

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

ProActive Advisors does not charge performance-based fees. The structure of our asset-based fee schedule is intended to align ProActive's interests with that of our Clients making it possible that we receive greater fees as your account value increases. This, of course, means that our fees can also decline when your portfolio declines in value.

#### **Item 7 Types of Clients**

ProActive Advisors provides investment management counsel to:

- Individuals
- Families

- Trusts
- Retirement Plans
- Companies

## **Item 8 Methods of Analysis, Investment Strategy & Risk of Loss**

ProActive Advisors uses an adapted compound return methodology integrated with a proprietary asset allocation and risk management discipline to construct and maintain portfolios targeting various Reward for Risk profiles. Our focus on compounding means we strive to keep investment costs low, seek to invest in the most timely opportunities, and work to be pro-active in combating risk.\* We focus on internal fund fees and transaction costs because reducing those increases return and account accumulation.\*\* We focus on finding the timeliest opportunities because non-appreciating assets do not work to build wealth.\*\*\*And we focus on pro-active risk management because recovering from a debilitating loss requires significantly greater gains as well as considerable time to recover.

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\*For example a Department of Labor study found reducing investment costs by just one percent over 25 years prior to retirement can mean 20% more savings accumulation.

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\*\* For example, a fully diversified portfolio holding a mix of every asset class will, by holding non-correlated assets, own some assets that are non-performing. These non-performing assets can become a considerable cost or drag to performance.

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\*\*\*For example if your \$100,000 account suffers a 50% decline you need a 100% return to recover. You must average 7.2% a year for 10 years, after investment costs, with no setbacks to get back even. This makes working to avoid significant losses a necessary priority.

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ProActive's Client portfolios, including the 360Portfolios, are constructed with a multi-asset class, flexible asset allocation design utilizing Fixed and Equity securities including but not limited to: Government and Corporate bonds, high yield and sovereign debt, and domestic bond funds; stocks, mutual funds and exchange traded funds (ETFs), including sector, country specific, REITs, commodity funds and master limited Oil & Gas Partnerships so long as they pass our cost, value, liquidity, and opportunity screens. Aggressive portfolios may use inverse funds (ETFs designed to appreciate in down markets) as well as hedging and leveraged ETFs. Generally we seek to diversify our portfolios, but also to concentrate them with fewer than 30 positions. Smaller asset size accounts are constructed almost entirely of no load mutual funds, ETFs, & dividend paying stocks and typically average 10 holdings.

Our management style may be considered to be "top-down" because we begin with an assessment of the health of the market to construct our model portfolios. While our approach may use passively-managed index and exchange traded funds, our investment style is pro-active in both finding opportunities and managing risk. That is, our investment strategy incorporates a search for value by screening and ranking securities by their profit potential based on financial



results, but we also utilize quantitative tools to guide asset allocation and to manage risk. For example we analyze revenues, market share, earnings growth, cash flow, debt and management skill, but we also use exponential moving averages, moving averages convergence and divergence and asset correlation data in our portfolio design and asset allocation decisions. Risk management is likewise quantitatively geared to trigger review and corrective action at defined portfolio Value-At-Risk levels.

An integral part of ProActive's investment counsel is to provide help in defining investment objectives and important financial goals in measurable terms. For example, client goals become "bogeys" for periodic progress reviews at subsequent consultations to gauge what adjustments may be necessary to achieve them. Clients may need to change their objectives and we will recommend alternative guide paths for investing advising them on changing their selection of 360Portfolios<sup>sm</sup> models. This advice is conditioned on Clients informing us of material changes in their financial circumstances. Absent this information we cannot make suitable recommendations or indeed know to change the management of advisory accounts.

#### **Item 9 Disciplinary Information**

Following an examination of Mr. York's prior advisory firm in 2003, the Kentucky Department of Financial Institutions alleged that Mr. York, his firm, Capital Advisors Group, Inc., and his broker dealer, Interactive Planning Corp. were in violation of certain security laws. The Department's position was that a liability on the firm's balance sheet related to an Account Purchase Contract entered into with a former client, constituted a loan from a client which is not permissible under the statutes. The confidentiality clause in the contract was also alleged to have restricted the client's right to complain and was therefore regarded by the Department as a fraudulent unethical practice. Mr. York disputed the allegations providing documents supporting his position and offered rescission of the contract and note, but refused to accept any punishment. The Kentucky Department, Mr. York and his broker dealer subsequently entered into an Undertaking Settlement whereby Mr. York agreed never to accept a loan from a client and the allegations were settled "without finding of fact" and without penalty or punishment. The NASD (now FINRA the regulatory authority of broker dealers) likewise examined the incident and concluded that the confidentiality language was too restrictive and additionally asserted that Mr. York and his broker dealer should have filed notice of the withdrawn complaint and updated Mr. York's Disclosure Form as required under the regulatory statutes. Mr. York and his broker dealer subsequently entered into a Waiver and Consent order without admitting or denying fault and agreed to pay a fine of ten thousand dollars to settle the matter and continue conducting business in good standing.

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

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ProActive Advisors, LLC is not a bank or broker dealer and is not engaged in any other financial industry activities. Affiliated persons or IARs may hold insurance licenses but these individuals are not permitted to sell “load” or commission-based variable insurance products to Clients. They are permitted to offer and be compensated on Term, Whole Life and Fixed annuities. The rationale for permitting this is that life insurance, fixed, and fixed index annuity products serve basic needs of individuals desiring principal protection while providing for family security not typically available with variable products and securities. And while Clients have the option to purchase needed insurance through agents not affiliated with ProActive, because it represents a potential conflict of interest since additional compensation to the insurance licensed advisor representatives is involved which could provide an incentive to recommend these products, ProActive requires a prior suitability review by key management or compliance and disclosure of “Agent” capacity to clients.

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

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All employees and staff of ProActive Advisors have committed to a Code of Ethics that sets forth high ethical standards of business conduct. The key points are: putting client’s interest first, objectivity, suitability, fairness, honesty and integrity, compliance, full disclosure and professionalism. We will provide you with a copy of our Code of Ethics upon request by calling 1 (859) 263-1117.

ProActive Advisors, and its employees and staff may at times buy or sell securities that are also owned by Clients. However we may not trade securities ahead of Clients to disadvantage them and our Compliance Officer periodically reviews access person’s (those who work with and have knowledge of our investment positions) accounts. Personnel account statement reviews ensure that personal trading is not based on inside information and that Clients of ProActive receive preferential treatment.

## **Item 12 Brokerage Practices**

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ProActive Advisors does not have any affiliation with broker dealers or product sponsor firms and receives no payments for directed business. Recommendations of custodians and broker dealers are made based upon reputation, quality of service, financial responsibility, and best execution.

ProActive watches execution of trades at each broker dealer or custodian through-out the year. This includes monitoring the timeliness of executions as well as the price of execution. Delays and seemingly unfavorable executions are questioned at the time they occur. At year end based upon discussions with staff about problems, resolutions, and service quality we make a determination whether or not to continue recommending each custodian and broker dealer.

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

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Portfolio models are monitored daily and positions held by clients reviewed based on various trigger events, including client requests. Account reviews are performed for Clients based on their stated frequency of need or as otherwise requested. Reports typically consist of investment commentary, period performance reporting, account positions, and unrealized gains/loss reports though year end reports typically have realized gain/loss reporting. All Clients additionally receive statements directly from their custodian or broker dealer.

### **Item 14 Client Referrals and other compensation**

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ProActive Advisors receives referrals from current Clients, CPA firms, Estate Planning Attorneys, employees, personal friends of employees or staff and other sources. Most referrals of these referrals are made without compensation however we may pay referral fees for introducing prospective clients to us. If a referral compensation arrangement exists, it is pursuant to a written solicitation agreement and prospective Clients, are made aware of the fact the person or firm will be paid a referral fee, the amount of the fee, as well as the whether their fee will be increased to compensate those making referrals to us.

### **Item 15 Custody**

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All ProActive accounts use third-party custodians (mostly banks and broker dealers and insurance companies) to safe-keep their assets. They debit our management fees and provide account statements and confirms directly to you. Some states deem our reliance on statements by custodians in lieu of sending individual invoices as having custody. Generally we only have on-line access to view accounts, statements and activity as well as to authorization to place your trades and request money be sent directly, and only, to you.

### **Item 16 Investment Discretion**

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ProActive Advisors accepts authority to manage accounts on behalf of Clients both with and without Supervisory Authority. Using Supervisory Authority and discretion we determine When, What and the Amount of securities to buy and sell for accounts we supervise. We also use Supervisory Authority and discretion to make asset allocation decisions with regard holdings within annuities we manage for clients. This Authority is exercised pursuant to an Investment Advisory Agreement. But we also work providing business consulting services and advice and in this case we do not have or use discretion leaving the final implementation decisions to clients.

### **Item 17 Voting Client Securities**

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Unless a Client requests it, ProActive does not vote proxies for securities as part of its discretionary authority. ProActive may file settlement claims on behalf of clients or provide the data to do so as requested.

## **Item 18 Financial Information**

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ProActive Advisors does not have any financial condition that might prevent it from meeting its commitments to Clients. We provide financial statements to regulatory authorities and calculate our net worth at least monthly. We do not require prepayment of fees in excess of \$500 per client more than six months in advance.

## **Item 19 Requirements of State-Registered Advisors**

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**Lawrence S. York** is ProActive's Chief Investment Officer and Managing Director responsible for setting investment policy and making all investment decisions. Mr. York has over a 25 years investment experience having worked at Dean Witter Reynolds, E F Hutton and JC Bradford before starting his own firm. Education: BA Berea College (Pol. Sc.) MBA from the University of Kentucky. Professional Awards: Five Star Fund Manager (Morningstar).

**Helen Pantazakos** is ProActive's Compliance & Operations Officer responsible for oversight of firm policies and procedures. Helen has served as ProActive's COO since inception. Previously she worked in the branch office of a national independent broker dealer having responsibility for customer service and branch back-office operations. Prior to that Helen was a manager in charge of Customer Service Training in the Southwest Ohio Bell Telephone region.

## **Financial Planning Services Offered**

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**Asset Protection:** The goal of asset protection is to reduce the risk to family net worth posed by creditors, predators and divorced parties while also minimizing legal tax liabilities. The Advisor will gather information and present potential risks and liabilities exposures as well as structures and strategies for individuals and businesses to protect their assets from civil money judgments. Careful asset protection can have estate benefits as well and planning is the first step to implementing a coordinated comprehensive wealth preservation strategy.

**Budgeting and Income Planning:** The Advisor shall prepare a detailed budget and cash flow analysis for the Client to help them see and track where their income is going and what their projected future, expected income will be based on various assumptions. Report will assist Client in understanding what their income requirements would be in case of the death and/or disability of primary breadwinner. Report tracks expenses to incomes, tells if you're running a surplus or deficit, determines your average effective tax bracket, and how much net and gross income you need on an annual/monthly/daily/hourly basis to meet a budget. Such analysis will be based upon the information provided to the Advisor by the Client and independent research conducted by the Advisor. The objective of this analysis is to plan for an anticipated income distribution from Client assets.

**College Planning:** College costs routinely have risen at rates significantly greater than inflation. This report helps families determine how much they need to invest, both in a lump sum, and/or monthly amount, to reach a future college funding need under scenarios for public versus private colleges and whether living at home versus in the campus dorm. Report additionally will show the difference in the savings amounts needed with a qualified 529 Tuition Plan versus saving in a taxable account. The Advisor shall prepare a detailed financial plan, including generic investment recommendations, relating to the funding of educational expenses for the Client or the Client's children or other dependents. The objective is to provide detailed information to enable Client to know and plan for children/grandchildren college expenses and how much will come from savings and out of pocket expenditures. Please note that this college plan does NOT compute or determine eligibility for Scholarships, Student loans, grants or other financial aid but does provide other resource information for this assistance.

**Estate / Legacy Planning:** The Estate Plan assures that your estate passes to whom you want, when you want, and is carried out in the manner you've chosen. A Legacy plan incorporates an Estate Plan but additionally goes beyond the financial disbursement of an estate to consider non-financial concerns such as values, morality, and faith. Estate / Legacy Planning provides a way to address how someone wants to be remembered imparting 'life lessons' to loved ones in celebration of the deceased's life. The Estate / Legacy Plan when implemented consists of various legal documents (Wills, POA, Trusts, etc.) and non-financial documents (Journal, website, photos, memorabilia, etc.) as well as practical and personal information to serve as a guide, and in some cases a mandate, to beneficiaries. The Advisor will outline what documents are needed and introduce clients to an attorney, but the Advisor will not provide legal advice or legal documents as part of its Estate / Legacy planning service. What the Advisor will do is to prepare a detailed financial plan, including a statement of Net Worth and inventory of assets organized to assist Clients in implementing the legal and tax aspects of their Estate plan with their chosen attorney. Advisor shall also provide guidance and recommendations for establishing Legacy directives. Recommendations will additionally provide guidance on investment strategy, income distributions, and tax reduction methodology for the estate. The objective of Estate / Legacy Planning service is to gather, organize, and detail the Client's financial concerns and priorities relating to the final disposition and transfer of their estate while recognizing the deceased values and wishes for their beneficiaries.

**Financial Planning:** After completing a comprehensive Fact Finder to gather information from the Client, the Advisor will provide a detailed financial plan summarizing a snapshot of the Clients financial circumstance including: Legal, Accounting, Investment, Tax, Retirement, Insurance, Education, Long Term Care

and Asset/Liabilities. The review will additionally evaluate and access the Client's current investment strategy, asset allocation, and risk management controls and provide a report comparing recommended allocation mixes with what is currently held. The most valuable benefit of this report is that it provides generic portfolio recommendations that are ready to implement with whom and wherever you like. Such analysis will be based upon the information provided to the Advisor by the Client and independent research conducted by the Advisor. This service is strongly recommended to those Clients who want a 'road map' to plan where they are and how they will meet their short, intermediate and long term financial goals.

**Investment / Financial Reviews:** Too many Clients are in the dark about what return they earn, how their investment results compare with benchmarks, and how they should invest. This service provides an analysis of the Client's current financial situation and a detailed financial "check-up" with a focus on investment strategy. The Advisor first does a Fact Finder to gather information, including review of current brokerage and investment statements, and next provides an evaluation assessment concerning the broker/advisor's past performance, asset allocation, management style, strengths and weaknesses. This report concludes with a comprehensive review of the Client's life style circumstances overlaid with a detailed comparative review of how an alternative investment strategy performed historically compared with benchmark indices, including their portfolio if the client makes that data available. The most important benefit of this service is its educational, real world, case study value that discusses common investment mistakes and good investment strategy that the Client should alternatively pursue based on their objectives and circumstance. An absolute, must have report and analysis for investors who find that they have had little growth of their money and now are concerned about how they should invest to get on the right track.

**Investment Management of Your Money:** The Advisor shall provide on-going supervisory oversight of Clients account(s), select investments from a universe of "no load" mutual funds, individual stocks, ETFs, bonds, money market funds, real estate and other appropriate investments as described in this Firm Brochure. Such investment selections shall be determined based upon the suitability information provided to the Adviser by the Client. Client may choose from among five investment models and optionally choose Services detailed herein, under "Financial Planning Services Descriptions."

**Insurance Reviews:** Insurance has a place but is too often sold as an investment. How much insurance do you need and what kind should you buy? This report provides a detailed analysis of Income & Net Worth as a backdrop for making assessments of insurance needs. It discusses the kinds of insurance and

concludes with recommendations to the Client about what amount and kind of insurance they should purchase. All done without the pressure to buy!

**Referral to Third-Party Investment Advisor(s):** For clients who desire investment management services from several specialized or alternative asset managers, ProActive will identify capable managers who have a demonstrated ability to perform successfully. ProActive will review data concerning the third-party manager's past performance, management, investment style, location, minimum account size, risk management, assets under management, fees, and other information. Upon selection of the third-party Investment Advisors by the Client, ProActive will assist the client in developing a contractual Investment Policy Statement to govern the management and evaluation of their account management team. ProActive will not actively manage any portion of the client's assets, but will provide expert evaluation and consultation services related to security analysis, investment strategies and portfolio management decisions used by the third-party manager(s). ProActive's role being to monitor, measure, and report to clients on the third-party manager's comparative performance. As compensation for said services ProActive will receive a negotiated percentage of the fee paid by the Client.


**Retirement Planning:** The focus of this service is to assist Clients in planning for their income needs at retirement— helping them understand how to be more successful in the accumulation phase of their careers and then understand how to best derive and distribute income in a tax efficient manner during retirement. Retirement Planning begins by helping Clients determine where they are now financially, how much they will need to save and invest to meet future retirement expected needs and goals. For those very near retirement the Retirement Plan focuses on strategic income distribution strategies to maximize after tax income yield and how to invest in retirement to maximize yield within their tolerance for risk. The Advisor will prepare a detailed Financial Plan, including generic investment recommendations, dealing with the Client's financial concerns and life style inputs and make recommendations ready to implement. Such analysis will be based upon the information provided to the Advisor by the Client and independent research conducted by the Advisor.

**Tax Planning:** This is a tax consultation planning session in which the Advisor gathers information about the Client's tax situation, how they're organized, how they hold assets, how they invest, whether they're employed or self-employed, etc. and results in a detailed tax planning report that identifies specific tax savings measures that can be implemented right away to reduce the Client's tax burden. The report estimates actual tax savings the Client could receive if the tax planning recommendations were implemented. This report is strongly recommended for small business owners and self-employed or commissioned agents as well as closely held businesses. This report provides a road map for

detailed discussions with your CPA or Tax advisor. It is a must have Tax Planning Report for those paying tax at the higher marginal tax rates.

**Trust Protector Services:** Clients establish Trusts and specify how they wish the Trust to be administered and managed after they pass from this world. Though a trustee is designated, that does not mean they are competent nor that your wishes will be followed particularly if a merger or acquisition of the trust company occurs. ProActive Advisors, in our capacity as an independent fiduciary, can make certain your Trust performs proficiently and is administered according to your wishes. Often Trusts are not managed properly. They are simply put on some automatic periodic rebalancing program. We can also help you make certain your Trust is designed to be flexible so that the beneficiaries can change trustees or investment management if either is not performing to a benchmark standard designated. Using this service will better assure you that your legacy will last in perpetuity.

**401K Guidance:** How much should you contribute to your 401K Plan? How should you invest those contributions? Will I have enough to retire? How much does it take to retire successfully? This service is designed to assist plan participants in planning their retirement around their employer's retirement plan. It focuses on helping Clients identify their goals and objectives but goes an important step further to measure goals in real dollar terms. It provides information and education about asset classes, investment strategy, and common pitfalls to successful investing. It concludes with a report recommending specific investment choices and asset allocations to Clients that they can implement right away. The Advisor will provide a quarterly review of the Client's 401K investments. The review will involve making specific, periodic recommendations as to changes to implement given current market and economic realities. Such analysis will be based upon the information provided to the Advisor by the Client and independent research conducted by the Advisor. This service is strongly recommended to those Clients who are engaging the Advisor to manage their non-retirement assets.



We have a  
Formal Plan  
in case it's  
Needed in an  
Emergency!

### **Business Continuity Plan**

ProActive Advisors has developed a Business Continuity Plan that provides detailed steps to lessen our time for recovery in the event of a natural or man-induced disaster. Duplicative access to custodians and broker dealers by more than one means including telephone, internet, and fax from remote offices is designed to permit same day operations to continue. Electronic files are backed-up daily and archived on and off-site. Alternative work locations are identified to support ongoing operations in the event our main office is unavailable. It is our



intention to contact all clients within five days of a disaster that necessitates moving our offices to an alternative location. And in the event of an unrecoverable loss, you can contact your custodian directly to have immediate access to your account(s) and money.

## **Privacy of Information**

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ProActive Advisors, LLC is committed to maintaining the privacy, confidentiality, and security of personal information that is entrusted to us. The information provided to us by Clients is needed to advise, plan, and devise solutions to personal financial problems. We require strict confidentiality by all ProActive personnel and associated persons.

With Client consent, or at their specific direction, we disclose “need to know” information to attorneys, accountants, and credit lenders with whom Clients either have established relationships or are starting relationships. We share information with spouses of Clients only with Client consent. Clients may limit or stop our sharing information with anyone, including spouses, by notifying us by telephone, mail, email, or fax at any time.

We do not provide personal Client information to mailing list vendors or solicitors. Federal and state securities regulators may review your account information as may firm auditors. Security laws require ProActive to maintain personally identifiable information after you close your account for a required period of time. After that time information is shredded and recycled.

We will notify Clients in advance if our Privacy Policy is expected to change. We consider changes to our Privacy Policy as **material changes** in how we do business and as such are required by law to provide you with a written copy of our Privacy Policy each year. This Privacy Policy is printed in our Firm Brochure and annually on Client brokerage statements from your custodian at our request, usually in December.

## **GENERAL DISCLOSURES:**

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**Anti-Money Laundering:** The US Patriot Act now requires that all financial institutions acquire certain identifying information from our customers in order to verify your identity. This includes acquiring certain information which may be non-public information. Under this regulation we must, if requested by any US government agency, provide them with any or all of the information about you and your business with us. Additionally, should the US government order it, we may be directed to freeze your account and deny you access to the assets in your account, without notice to you. Moreover, if the US government requests information about you and/or your account(s) we are prohibited from disclosing that fact to you.

**Identity Theft:** We have developed policies and procedures to identify and protect our client's identities that we believe are designed to thwart others access and unlawful use. In the event some breach of your secure information becomes known to us, we will notify you immediately.

**Advisory Fees:** With the exception of our providing an *Objective Review Analysis* to understand your financial profile, goals, and objectives and to determine the suitability of our investment management, all other financial services we provide are optional and have some fee or charge to you for providing it, typically as a hourly or project financial planning fee. These fees or charges are disclosed in advance of providing the services and require your written approval and agreement. You understand that some investment selections we make may be subject to liquidity provisions or restrictions on liquidation without penalty. We will not use our discretion or trading authority granted to us to commit you to contracts with long term (multi-year) illiquid obligations. If we purchase such an investment for you it will be with your specific, prior approval. Note that a security previously purchased could become ill-liquid for a number of reasons though we will strive to take pro-active action to liquidate it. You acknowledge being informed by us that if you have transferred in a fund or other security from a prior broker or custodian that is subject to Contingent Deferred Sales Charges that we will normally hold said funds making exchanges between available funds in the fund family until your CDSC has expired so long as we do not conclude other overriding factors warrant earlier liquidation. We will strive to lower your investment costs but do not promise the lowest cost. Finally you acknowledge being informed by us that exchanging funds within the same family of mutual funds may be a taxable event, but does not require you to pay an additional sales charge or require you to extend the term of your commitment to stay invested though like all transactions it might incur a trade ticket charge imposed by your broker.

**Conflicts of Interest:** Companies providing services to clients can have different interests from their client arising solely out of the fact that compensation is involved. ProActive has organized itself as fee-only advisor to reduce transaction oriented conflicts, but potential conflicts of interest still exist whether they arise from balancing time expended against profitability, or from the advice given and investments made based upon opinions and prejudices. We believe the real yardstick of provider/client loyalty is the *suitability* of actions taken and *disclosure* of facts to clients when potential conflicts arise. To assess "*suitability*" we look for "*client need*." This is done by examining the client's financial circumstance and objectives to determine "*suitability*" of recommendations. If we verify "*client need*" and the potential to meet investment objectives desired seems apparent, we satisfy our question of acting in the best interests of clients by additionally disclosing the IARs "Agent" capacity to clients, for example when

an insurance product that provides additional compensation is involved, while also providing written disclosure of the potential of conflicts of interest.

**Other References:** “360Portfolios<sup>sm</sup>” is a brand or the name we use to refer to model portfolios. Our risk management methodology is likewise branded as our “GuardRail Technology<sup>sm</sup>.” These are sales marks or brands intended to differentiate our services from other advisors. (See legend disclosure below)

**Disclosure about 360Portfolios Model Past Performance:** When we present any information about past performance of the 360Portfolios<sup>sm</sup> Models it should not be relied upon as an indicator of your future returns. We have back-tested the 360Portfolios methodology over the 25 year period from 1985 -2005 using historical market data. But back-tested performance has the benefit of hind-sight in that a model can be chosen that best fits the historical outcome. Back-tested performance results should therefore be considered inconclusive evidence of investment outcome since it ignores factors such as security liquidity, trade timing, transaction costs, custodial charges, and the fact that economic and market conditions in the future may differ significantly from those in the past.

Performance results since 2006 are the result of real-time trades made in model portfolios, but not actual accounts. Model portfolio performance is pertinent information to see how a model performed utilizing a certain methodology, but also does not include transaction costs and custodial charges or management fees and is still historical so that past performance may not be indicative of future performance since economic and market conditions in the future will likely differ significantly from those of the past. And in any case the 360Portfolios’ model performance, like the back-tested performance, demonstrate only how different the portfolio strategies underlying the models performed compared with benchmark indices, but do not portend any relevance for probable future performance. Indeed because of material factors mentioned above, performance using any model or mix of the 360Portfolios may be more or less than the 360Portfolios<sup>sm</sup> model performance presented.

**360Portfolios<sup>sm</sup>** is a company *sales mark* and the name we use to refer to our five, core model portfolios that are matched to broad client objectives. They were formulated to target range of “risk and return” characteristics along a spectrum from Aggressive Growth utilizing leverage and long/short position allocations, to Conservative Income, utilizing no leverage, and a traditional “buy-long” portfolio. Each is powered by a rules-based methodology to manage risk by generating *ActionAlerts* for corrective action.

Originally during back-testing, the 360Portfolios<sup>sm</sup> were constructed utilizing only select no load and load-waived mutual funds identified as representing various asset and sub-asset classes. Then beginning in 2006, both mutual funds and Exchange Traded Funds (ETFs) were utilized and subsequently individual stocks

and bonds have been added. The effect of these additions has not and could not be back-tested because many of the securities were not available during the prior back-tested period. The risk-management buy-sell algorithm was re-tested forward through 2010 and performed capably.

**The 10 Year 360Portfolios<sup>sm</sup>** are performance results based upon annualized returns achieved by retroactive application of our investment methodology through back-testing over the period 1985-2005. Results beginning in 2006 are appended to these results from real-time 'live-trade' model results generated by our methodology thereafter. Neither the back-tested nor live-traded performance results include costs for trading, management or subscription fees, and internal fund expenses. They also do not include reinvestment of dividends and capital gains.

**The 5 and 3 Year 360Portfolios<sup>sm</sup>** hypothetical performance results are based upon annualized returns achieved by 'live-trades' in our 360Portfolios' models for the respective periods based on calendar year ends from the most recent year. These model performance results do not deduct for trading, management fees, or internal fund expenses nor include reinvestment of dividends and capital gains.

**The 1 Year 360Portfolios<sup>sm</sup>** performance result is the one year return achieved by 'live-trades' in our 360Portfolios' models over the period from the most recent calendar year ended 12/31. Results do not include trading or internal expenses, management fees nor include reinvestment of dividends and capital gains.

**The YTD 360Portfolios<sup>sm</sup>** performance results are based upon the current year real time model performance results, not annualized, achieved by use of our 360Portfolios investment methodology without deducting for trading, money management and internal expenses and without reinvestment of dividends or gains, except in cash equivalents and money market holdings.

**GuardRail Technology<sup>sm</sup>** is a *sales mark* and the name we use to refer to our multi-pronged risk management discipline. The 360Portfolios investment methodology has been enhanced since its initial back-testing with a decision-rule set including stop-loss, trailing stop loss, and value-at-risk triggers in order to further improve risk detection and corrective action during market corrections. These 'triggers' may result in increased portfolio turnover, but are believed to provide additional failsafe measures to force review in declining market environments. Our *GuardRail Technology<sup>sm</sup>* cannot provide sufficient warning to protect against sudden one-day market corrections, but works capably for extended market corrections which have been the historical norm in the financial markets in terms of both frequency and amplitude.

**Caveat Emptor!** Neither 360Portfolios<sup>sm</sup> investment methodology nor our *GuardRail Technology<sup>sm</sup>* for risk management guarantees profits or avoidance of loss. Whether you use our investment advisory services or subscribe to our

360Portfolios models program you assume the risk of loss inherent to investing in the financial markets. Moreover, the fact that we exercise discretionary authority under our Investment Advisory Agreement or that we act to assist you in placing your trades under a Third Party Trading Agreement with our “We Do It” subscription services does not shift liability of investment loss to us. All investments have risks and your account value may be worth less than you originally invested when you redeem it.

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*Standard & Poor's S&P500 index (.SPX), a composite of domestic large company stocks, is used as the benchmark to compare historical and current market performance of Stocks versus the AGGroMax, GroPlus and Growth model portfolios. Barclay's Aggregate Bond index (AGG), an index consisting of government, mortgage-back, and corporate bonds, is used to comprise one-half of the benchmark index for a balanced account benchmark; the S&P500 comprises the other 50%. The balanced (50/50 stock/bond) benchmark is used to compare the historical and current market performance of the Growth & Income and IncomeMax model portfolios illustrated.*

S&P500 is a trademark of Standard & Poor's, a McGraw Hill Company.  
Barclays Aggregate Bond Index is a trademark of Barclays Capital US.