

**Advanced Group Financial Services, LLC  
2508 Genesee Street  
Utica, NY 13502  
315-733-1010  
[www.advancedgroupfs.com](http://www.advancedgroupfs.com)**

**April 29, 2013**

**This brochure provides information about the qualifications and business practices of Advanced Group Financial Services, LLC. If you have any questions about the contents of this Brochure, please contact us at 315-733-1010 and/or [bob@advancedgroupfs.com](mailto:bob@advancedgroupfs.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Advanced Group Financial Services, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any references to Advanced Group Financial Services, LLC as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.**

**Item 2: MATERIAL CHANGES**

April 29, 2013

Item 18 – Added the following disclosure:

*AGFS does not have a financial condition that would impair its ability to meet contractual commitments to clients.*

March 11, 2013

AGFS is no longer eligible for SEC registration.

Item 8 – Added the following disclosure.

*The risks associated with fundamental and technical analysis include the use of mathematical and statistical modeling which may not accurately predict future investment patterns. Day to day changes in the market prices of investments may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of analysis using more subjective criteria is that the information obtained to make the analysis may be inaccurate and skew the analysis. In addition, measuring (or weighting) the criteria will likely be inconsistent from one analysis to another and could adversely affect the investment decisions.*

Item 15 – Added the following disclosure.

*It is important clients review their statements carefully and compare the information to any report received from AGFS. Should any AFGS report contain a discrepancy, the report from the account custodian will prevail.*

\*\*\*\*\*

At least annually, this Item will discuss only specific material changes that are made to the Brochure and provide you with a summary of such changes. Additionally, reference to the date of the last annual update to this Brochure will be provided.

The material changes discussed above are only those changes that have been made to this brochure since the firm's last annual update of the brochure. The date of the last annual update of the brochure was January 22, 2012.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year, which is December 31st. We may further provide other ongoing disclosure information about material changes as necessary.

Additionally, we will further provide you with a new brochure as necessary based on change or new information, at any time, without charge.

April 29, 2013

## Advanced Group Financial Services, LLC

Our brochure may be requested free of charge by contacting Robert Watkins at 315-733-1010 and/or bob@advancedgroupfs.com. Additional information about Advanced Group Financial Services, LLC is also available via the SEC's website [www.adviser.sec.gov](http://www.adviser.sec.gov). The website also provides information about any persons affiliated with Advanced Group Financial Services, LLC who are registered, or are required to be registered, as investment adviser representatives of Advanced Group Financial Services, LLC.

**Item 3: TABLE OF CONTENTS**

Item 1: COVER PAGE .....	Cover Page
Item 2: MATERIAL CHANGES.....	2
Item 3: TABLE OF CONTENTS .....	4
Item 4: ADVISORY BUSINESS.....	5
Asset Management Program .....	5
Financial Planning and Investment Consulting Services.....	6
Item 5: FEES AND COMPENSATION .....	7
Asset Management Program .....	7
Financial Planning and Consulting Services.....	9
Item 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	10
Item 7: TYPES OF CLIENTS .....	10
Item 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	11
Item 9: DISCIPLINARY INFORMATION .....	12
Item 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	12
Item 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	13
Item 12: BROKERAGE PRACTICES .....	13
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 CLIENT SECURITIES .....	17
Item 18: FINANCIAL INFORMATION.....	17
Item 19: REQUIREMENTS FOR STATE REGISTERED ADVISERS .....	17

Brochure Supplements

#### **Item 4: ADVISORY BUSINESS**

Advanced Group Financial Services, LLC (hereinafter referred to as “AGFS”) is an investment advisory firm offering a variety of advisory services customized to your individual needs.

AGFS was established in 2009. Richard Carpenter and Robert Watkins are the Managing Members and owners. AGFS is successor to Richard Carpenter, Registered Investment Advisor, who was initially registered in 1996.

AGFS offers the following advisory services. Each of the services is more fully described below.

- Asset Management Program
- Financial Planning and Consulting Services

AGFS tailors the advisory services it offers to your individual needs. You may impose restrictions and/or limitations on the investing in certain securities or types of securities.

Together with AGFS, you complete risk tolerance and time questionnaire. Additionally, AGFS will meet with you and conduct an interview and data gathering session to continue the due diligence process. You should expect at least two meetings before implementation of any recommendations begins. The information gathered by AGFS will assist AGFS to provide you with the requested services and customize the services to your financial situation. Depending on the services you have requested, AGFS will gather various financial information and history from you including, but not limited to:

- Retirement and financial goals
- Investment objectives
- Investment horizon
- Financial needs
- Cash flow analysis
- Cost of living needs
- Education needs
- Savings tendencies
- Other applicable financial information required by AGFS in order to provide the investment advisory services requested.

AGFS does not participate in wrap programs.

As of December 31, 2012, we have approximately \$24,840,000 million of client assets under our discretionary management. AGFS does not manage client assets on a non-discretionary basis.

#### **Asset Management Program**

Upon AGFS completing its analysis of your situation, AGFS will determine an asset allocation customized to your financial goals, objectives and risk tolerance. In most circumstances, AGFS will use one of nine models as a basic framework for establishing your individual allocation. The models are based on three time horizons, long, intermediate and short. There are three levels of risk tolerance within each time horizon - conservative, moderate and aggressive. From there, AGFS customizes your portfolio allocation taking into consideration your limitations or restrictions, the market and economy at the time and your financial situation, goals and objectives. AGFS will meet with you prior to initiating the service agreement to ensure you agree with the determined objectives and agree with the service plan.

Unless otherwise expressly requested by you, AGFS will manage the account on a discretionary basis and will make changes to the allocation as deemed appropriate by AGFS. AGFS will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. AGFS may actively trade securities and hold such holdings for periods of 30 days or less or maintain positions for longer or shorter term periods. Discretionary authority will be granted by you to AGFS by execution of the Asset Management agreement.

Allocations are tested not less than quarterly for variance from target model. Your account will also be reviewed individually not less than quarterly for variance, review of holdings and other factors that may suggest a need to rebalance or change holdings. Cash positions are targeted based upon your estimated need for withdrawals.

You are advised transactions in the account, account reallocations and rebalancing may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other qualified retirement accounts.

### **Financial Planning and Investment Consulting Services**

Plans are based on your financial situation at the time and are based on financial information disclosed by you to AGFS. You are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. AGFS cannot offer any guarantees or promises that your financial goals and objectives will be met. Further, you must continue to review the plan and update the plan based upon changes in your financial situation, goals, or objectives or changes in the economy. Should your financial situation or investment goals or objectives change, you must notify AGFS promptly of the changes.

You are advised that the advice offered by AGFS may be limited and is not meant to be comprehensive. Therefore, you may need to seek the services of other professionals such as an insurance adviser, attorney and/or accountant.

You are not obligated to implement advice through AGFS or Advisory Representatives. Should you implement the plan with AGFS's Advisory Representatives commissions or other compensation may be received in addition to the advisory fee paid to AGFS.

## Item 5: FEES AND COMPENSATION

### Asset Management Program

Fees are negotiable and are not based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds.

You may make additions to the Account or withdrawals from the Account, provided the Account continues to meet minimum account size requirements. Additional deposits and partial withdrawals to or from the account in an amount of \$5,000 or more will be subject to fee adjustments. Therefore, additional deposits in an amount of \$5,000 or more will be charged a prorated fee and partial withdrawals in an amount of \$5,000 or more will be issued a prorated credit of fees. No fee adjustments will be made for Account appreciation or depreciation

Account Value *(aggregate)	Max Quarterly Fee	Max Annual Fee
First \$100,000	0.5000%	2.00%
Next \$100,001 to \$250,000	0.4375%	1.75%
Next \$250,001 to \$500,000	0.3750%	1.50%
Next \$500,000 to \$1,000,000	0.3125%	1.25%
Above \$1,000,000	0.2500%	1.00%

Fees are calculated quarterly based on account value at close of prior quarter using the following formula:

Total Managed Account Value X quarterly percentage (annual fee divided by 4 - i.e. 1% annual fee = .25/quarter).

Fees are tiered, with break points reducing base annual fee by 25bp at \$100,000 - \$250,000 - \$500,000 and \$1,000,000. i.e. If base annual fee (negotiable) is 1.5% - quarterly fees are assed at .375% of first \$100,000 - .3125% \$100,001 to \$250,000 - .25% \$250,001 to \$500,000 - .1875% \$500,001 to \$1,000,000 and .125% on \$1,000,001 and above

AGFS aggregates all accounts together to determine the fee.

AGFS may change the above fee schedule upon 30-days prior written notice to you.

Advisory fees will be charged to and collected directly from your Account upon your authorization. You may specify the account that will provide the source of fee payment for multiple accounts. You will be provided with a fee invoice that identifies the advisory fee, the value of the Account and how the fee was calculated. Additionally, you will be provided with an account statement reflecting the deduction of the advisory fee. If the Account does not contain sufficient funds to pay advisory fees, Adviser has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees.

## Advanced Group Financial Services, LLC

You may reimburse the account for advisory fees paid to AGFS except for ERISA and IRA accounts.

In addition to the investment advisory fee, you will be charged transaction charges pursuant to a fixed schedule for trade execution. These transaction charges are paid to Pershing and are partially retained by Pershing for its clearance and execution services. Furthermore, a portion of the transaction fee will be paid to Royal Alliance for its supervisory services. These transaction charges represent the only payment to Royal Alliance and Pershing for their services. Further, you may pay fees for custodial services, account maintenance fees, transaction fees, and other fees associated with maintaining the Account. AGFS does not share in any portion of such fees. Additionally, you may pay your proportionate share of the fund's management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund they purchase.

Advisory fees will be charged in advance of each calendar quarter based upon the value of the portfolio on the last business day of the just completed calendar quarter. Advisory fees for Accounts opened on a day other than the first day of the calendar quarter or closed on a day other than the last business day of the calendar quarter will be prorated based on the number of days remaining in the quarter.

Advisory fees may be discounted on variable annuities that pay a trailing commission to the Advisory Representatives. Such discount will be in relation to average fee for other assets. To determine the extent of any discount, AGFS will aggregate the managed portfolio including the value of the annuity and calculate the fee. AGFS will then compare the fee against the compensation AGFS will earn from the annuity. If the advisory fee is greater than the compensation AGFS will receive from the annuity trailing commission, AGFS will discount the advisory fee charged on your annuity portfolio to equal the compensation that would otherwise be earned on non-annuity assets.

Advisory Representatives of AGFS are dually registered representatives of Royal Alliance Associates, Inc. ("Royal Alliance"), a registered broker/dealer, member of the Financial Regulatory Authority (FINRA) and SIPC. Advisory Representatives of AGFS who are Registered Representative may receive trail commissions (i.e. 12b-1 fees) for a period of time as a result of directing securities transactions through Royal. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from your assets. 12b-1 fees may be initially paid to Royal and a portion passed to the Advisory Representatives. The receipt of such fees could represent an incentive for the Advisory Representatives to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest.

As stated above, AGFS recommends mutual funds that pay 12b-1 fees and no-load funds.

If the managed account is opened with securities previously purchased through Royal Alliance and/or AGFS Advisory Representatives, Royal Alliance and your Advisory Representative may have already received commissions on the purchase. If the account is opened with cash proceeds from the sale of securities purchased through Royal Alliance or your Advisory Representative, they may

already have received commissions on the sale. AGFS will offset any prior commissions earned in the following manner:

Base commissions will be compared to the fee that would have been earned had the client originally started in a managed program with Adviser. If the commissions earned exceed the calculated advisory fee for the period the client will receive a credit for the difference and Adviser will offset the credit against future advisory fees. Offsets will be limited to commissions earned within most recent two (2) years. Fees and offsets are negotiable. Offsets will be exclusive of 12b-1 compensation or trail compensation that may be paid to Adviser.

These practices present a conflict of interest and give AGFS an incentive to recommend investment products based on the compensation received, rather than on a client's needs. AGFS will attempt to mitigate conflicts of interest by:

- Informing you of conflict of interest in this Disclosure Brochure.
- Maintaining and abiding by our Code of Ethics which requires us to place your interest first and foremost.
- Routine review of transactions
- Advising you of the right to decline to implement our recommendations and the right to choose other financial professionals for implementation.
- Recognizing and advising you AGFS is a fiduciary and has an obligation to conduct its business in the best interest of its clients and not in AGFS's interest.

You may purchase the securities recommended by AGFS directly or through other brokers or agents not affiliated with AGFS.

Clients should refer to Item 12, Brokerage Practices for important information and conflicts of interest.

#### Termination Provisions

You may terminate advisory services obtained from AGFS, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with AGFS. You will be responsible for any fees and charges incurred on your behalf from third parties as a result of maintaining the Account such as transaction fees for any securities transactions executed and account maintenance or custodial fees. Thereafter, you may terminate advisory services upon AGFS's receipt of your written notice to terminate. Should you terminate advisory services during a quarter, you will be issued pro-rata refund of the advisory fee for the quarter up to the date of termination.

#### **Financial Planning and Consulting Services**

## Advanced Group Financial Services, LLC

You are advised that fees for planning services are strictly for planning services. Therefore, you may pay fees and/or commissions for additional services obtained such as asset management or products purchased such as securities or insurance.

### Initial Financial Planning Fee Schedule

- Onetime fee of \$750 for preparation of a personal financial plan.
- Fees are not negotiable.
- Fees are due upon execution of the advisory agreement.

### Annual Review

- Annual review fee in the amount of \$750.
- Fees are not negotiable.
- Fees are due upon execution of the advisory agreement.

### Consulting Services

- Hourly fee is \$175 per hour. Staff time will be billed at a rate of \$50 per hour.
- Hourly fees are not negotiable.
- AGFS will provide you an estimate of cost anticipated to provide the services requested.
- One half (1/2) of the estimated fee will be due upon execution of the advisory agreement and the balance due within fifteen (15) days of execution of the advisory agreement. Should time spent providing the consulting services exceed the estimate, clients will be invoiced for additional time.

### Termination Provisions

You may terminate the advisory agreement with AGFS within ten (10) business days of execution of the advisory agreement and receive a full refund of any prepaid fees. After ten (10) business days of entering into the advisory agreement, no refunds will be issued. You will be responsible for payment to AGFS for any research or services AGFS performed prior to receipt of your written notice to terminate.

## **Item 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

This section is not applicable to AGFS since AGFS does not charge performance based fees.

## **Item 7: TYPES OF CLIENTS**

AGFS's services are geared toward individuals both high net worth (i.e. clients with a net worth of \$1,500,000) and other than high net worth.

The minimum aggregate account size is generally \$50,000 for clients to receive asset management services. Should accounts fall below the minimum account size, AGFS may require additional

monies and/or securities to be deposited to bring the account value up to the required minimum or the Account to be closed. Should you continue management services if the account falls below \$50,000, you are advised AGFS management services may not be the most suitable and clients should consider other programs. Clients are advised that performance may suffer due to difficulties with diversifying smaller accounts and due to risk controls potentially being compromised.

#### **Item 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

AGFS conducts fundamental analysis technical analysis. Fundamental analysis generally involves assessing a company's or security's value based on factors such as sales, assets, markets, management, products and services, earnings, and financial structure. Technical analysis generally involves studying trends and movements in a security's price, trading volume, and other market-related factors in an attempt to discern patterns.

Methods utilize various resources and products normally available to professional financial advisors and investment specialists which are comprised of but not limited to: public subscriptions of financial periodicals and reports (e.g., Barron's, Kiplinger's newsletter), independent financial performance reporting and investment tracking (e.g., MorningStar, Lippers, Standard & Poor's), financial journals (e.g., Bloomberg's, Journal of Financial Planning), or other proprietary reports and materials provided by investment management, ETF and mutual fund companies, resources available through the AGFS's broker-dealer or custodian (e.g., Royal Alliance, Pershing), and news and financial reporting sites via the Internet (e.g., Investment News, Big Charts).

The risks associated with fundamental and technical analysis include the use of mathematical and statistical modeling which may not accurately predict future investment patterns. Day to day changes in the market prices of investments may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of analysis using more subjective criteria is that the information obtained to make the analysis may be inaccurate and skew the analysis. In addition, measuring (or weighting) the criteria will likely be inconsistent from one analysis to another and could adversely affect the investment decisions.

AGFS does not represent, warrant or imply that the services or methods of analysis used by AGFS can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by AGFS will provide a better return than other investment strategies.

As stated above, AGFS primarily uses mutual funds and Exchange Traded Funds. The risks with mutual funds include the costs and expenses within the fund that can impact performance, change of managers, and fund straying from its objective. Open ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day. ETFs trade on an auctionable market. Therefore, there is more price fluctuation with ETFs than with mutual funds

since ETFs trade throughout the day, whereas mutual funds are priced once a day. Also, since most ETFs only mirror a market index, such as the S&P 500, they won't outperform the index.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment and thus long-term performance and performance consistency are the major goals. You are advised investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the management programs offered by AGFS will require you to prepare to bear the risk of loss and fluctuating performance.

#### **Item 9: DISCIPLINARY INFORMATION**

There is no reportable disciplinary information required for AGFS or its management persons that is material to your evaluation of AGFS, its business or its management persons.

#### **Item 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As previously stated, Advisory Representatives are dually registered as advisory representatives of AGFS and as registered representatives of Royal Alliance. You are under no obligation to purchase or sell securities through your Advisory Representative. However, if you choose to implement the plan, commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at Royal Alliance than at other broker/dealers. Advisory Representatives may have a conflict of interest in having you purchase securities and/or insurance related products through Royal Alliance in that the higher their production with Royal Alliance the greater potential for obtaining a higher pay-out on commissions earned.

Under the rules and regulations of the FINRA, Royal Alliance has an obligation to perform certain supervisory functions regarding certain activities engaged in by advisory representatives who are also registered representatives of Royal Alliance. For such supervisory functions, AGFS may pay Royal Alliance a portion of the advisory fees they receive. Royal Alliance and AGFS are not affiliated.

Advisory Representatives are licensed with various insurance companies. Commissions will be earned if the insurance products are purchased through them. You are under no obligation to purchase insurance products or services through him. While the insurance business is not a significant business to the Advisory Representatives and they do not concentrate resources toward the business, because of the conflict of interest in having you purchase insurance products through them, this disclosure is provided to you.

AGFS attempts to mitigate the conflicts of interest with the potential receipt of commissions if recommendations are implemented by providing you with these disclosures. Further, you are encouraged to consult other professionals and may implement recommendations through other

financial professionals. Furthermore, as a registered representative with Royal Alliance, Advisory Representatives are subject to a supervisory structure at Royal Alliance for his securities business.

**Item 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT  
TRANSACTIONS AND PERSONAL TRADING**

AGFS and its associated persons may buy or sell securities identical to those securities recommended to you. Therefore, AGFS and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold you. AGFS and its associated persons will not put their interests before your interest. AGFS and its associated persons may not trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients.

AGFS is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

You have the right to decline any investment recommendation. AGFS and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

**CODE OF ETHICS**

AGFS has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. AGFS takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as AGFS's policies and procedures. Further, AGFS strives to handle your non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides you with AGFS's Privacy Policy. As such, AGFS maintains a code of ethics for its Advisory Representatives, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about your transactions. Further, AGFS's Code of Ethics establishes AGFS's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.

**Item 12: BROKERAGE PRACTICES**

As previously stated, Advisory Representatives are registered representatives of Royal Alliance. As a result they are subject to FINRA Conduct Rule 3040 which may restrict such them from conducting securities transactions away from Royal Alliance unless Royal Alliance provides them with written authorization. Therefore, you are advised that AGFS Advisors may be limited to

conducting securities transactions through Royal Alliance and its clearing firm Pershing Investments, LLC or those broker/dealers approved by Royal Alliance.

You are advised that not all investment advisers require you to maintain accounts at a specific broker/dealer. You are advised you may maintain accounts at another broker/dealer. However, the services provided by AGFS will be limited to only advice and will not include implementation. If you who select another brokerage firm for custodial and/or brokerage services you will not be able to receive portfolio monitoring or asset management services from AGFS.

In initially selecting Royal Alliance, AGFS conducted due diligence. AGFS's evaluation and criteria includes:

- Ability to service you
- Staying power as a company
- Industry reputation
- Ability to report to you and to AGFS
- Availability of an efficient trading platform
- Products and services available
- Technology resources
- Educational resources
- Execution capability
- Financial responsibility and viability
- Confidentiality and security of your information
- Responsiveness
- Other factors that may bear on the overall evaluation of best price and execution

Additionally, periodically AGFS will review transaction costs in light of current market circumstances, available published statistical analysis as well as other relevant information.

Best execution does not simply mean the lowest transaction cost. Therefore, no single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian.

You are advised there is an incentive for AGFS and the Advisory Representatives to recommend a broker/dealer over another based on the products and services that will be received rather than your best interest.

Royal Alliance has a wide range of approved securities products for which Royal Alliance performs due diligence prior to selection. AGFS's registered representatives are required to adhere to these products when implementing securities transactions through Royal Alliance. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Royal Alliance also provides Advisory Representatives, and therefore AGFS, with back-office operational, technology, and other administrative support. Other services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and

marketing. Such services are intended to help Advisory Representatives and AGFS manage and further develop its business enterprise.

Royal Alliance and its clearing broker/dealer, Pershing, LLC also make available to AGFS other products and services that benefit AGFS but may not directly benefit you. Some of these other products and services assist AGFS with managing and administering your accounts. These include software and other technology that provide access to your account data (such as trade confirmation and account statements); facilitate trade execution; provide research, pricing information and other market data; facilitate payment of AGFS's fees from your accounts; and assist with back-office functions; record-keeping and client reporting. Many of these services generally may be used to service all or a substantial number of AGFS's accounts, including accounts not held through Royal Alliance.

AGFS does not engage in conducting aggregated or block transactional trading. Therefore, the price of execution of securities, other than open ended mutual funds, could result in less favorable pricing than if a block or aggregated transaction were conducted. AGFS provides individual management and does not generally execute the same transaction for a group of accounts at the same time. AGFS manages each client's account separately and individually. Further, AGFS primarily engages in mutual fund transactions where aggregated or block orders would not impact the price.

### **Item 13: REVIEW OF ACCOUNTS**

You will be invited to participate in at least an annual review. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. AGFS will conduct reviews of all asset managed accounts at least quarterly upon receipt of the quarterly statements. Generally, AGFS will monitor for changes or shifts in the economy, changes in the management of a mutual fund or company in which client assets are invested, and market shifts and corrections. You are advised that you should notify your AGFS Representative promptly of any changes to your financial goals, objectives or financial situation as such changes may require AGFS to review your portfolio and make recommendations for changes.

Portfolios will be reviewed by Robert Watkins, Chief Compliance Officer and Asset Manager with input from Richard Carpenter, Asset Manager.

If you are participating in Financial Planning and Consulting Services you will not receive regular reviews. AGFS recommends you have at least an annual review and update to any plans. However, the time and frequency of the reviews is solely your decision. Additionally, you will be charged review fees based on the fee schedule disclosed under the program. Other than the initial plan or analysis, there will be no other reports issued.

You will be provided statements at least quarterly direct from the account custodian. Additionally, you will receive confirmations of all transactions occurring direct from the account custodian. AGFS provides at least quarterly reports to clients outlining account holdings and performance of the client's account. It is important you compare any reports from AGFS with statements received

direct from the account custodian. Should there be any discrepancy the account custodian's report will prevail.

#### **Item 14: CLIENT REFERRALS AND OTHER COMPENSATION**

AGFS may at times refer clients to other professionals, i.e. Attorney or Accountant. AGFS does not accept payment for referrals. Additionally, AGFS may receive referrals or recommendations from other professionals and clients. AGFS as a matter of policy does not pay for referrals.

Product vendors recommended by AGFS may provide monetary and non-monetary assistance with client events, provide educational tools and resources. AGFS does not select products as a result of any monetary or non-monetary assistance. The selection of product is first and foremost. AGFS's due diligence of a product does not take into consideration any assistance it may receive. Therefore, this is not considered a conflict of interest but a benefit for you and AGFS.

#### **Item 15: CUSTODY**

With the exception of deduction of AGFS's advisory fees from your accounts, AGFS does not take custody of your funds or securities. Clients will receive statements directly from the account custodian. It is important clients review their statements carefully and compare the information to any report received from AGFS. Should any AFGS report contain a discrepancy, the report from the account custodian will prevail.

#### **Item 16: INVESTMENT DISCRETION**

You may grant AGFS authorization to manage your account on a discretionary basis. Discretionary authority will be limited to AGFS having the authority to determine the securities to be bought or sold for a client's account and the amount of securities to be bought or sold for a client's account. AGFS will not have discretionary authority to determine the broker or dealer to be used or determine the commission rates to be paid to a broker or dealer for a client's securities transactions, if applicable.

You will grant such authority to AGFS by execution of the advisory agreement. You may terminate discretionary authorization at any time upon receipt of written notice by AGFS.

Additionally, you are advised that:

- 1) You may set parameters with respect to when account should be rebalanced and set trading restrictions or limitations;
- 2) Your written consent is required to establish any mutual fund, variable annuity, or brokerage account;
- 3) AGFS requires the use of the broker/dealer with which your Advisory Representative is registered for sales in commissionable mutual funds or variable annuities, if you elect to implement recommendations through your Advisory Representative;

- 4) With the exception of deduction of AGFS's advisory fees from the account, if you have authorized automatic deductions, AGFS will not have the ability to withdraw your funds or securities from the account.

#### **Item 17: VOTING CLIENT SECURITIES**

AGFS does not vote your securities. Unless you suppress proxies, securities proxies will be sent directly to you by the account custodian or transfer agent. You may contact AGFS about questions you may have an opinions on how to vote the proxies. However, the voting and how you vote the proxies is solely your decision.

#### **Item 18: FINANCIAL INFORMATION**

AGFS will not require you to prepay more than \$500 or six or more months in advance of receiving the advisory service.

Dean Leounis filed for bankruptcy April 19, 2004. The bankruptcy was discharged on September 24, 2007.

AGFS does not have a financial condition that would impair its ability to meet contractual commitments to clients.

#### **Item 19: REQUIREMENTS FOR STATE REGISTERED ADVISERS**

The formal education and business backgrounds of the principal executive officers and management persons are disclosed on the attached Supplements.

AGFS is not actively engaged in any other business. Other businesses in which the principal executive officers and management persons are actively engaged are disclosed on the attached Supplements.

The principal executive officers and management persons have not been involved in any of the following.

An event involving an arbitration claim alleging damages in excess of \$2,500 involving:

- An investment or an investment related activity;
- fraud, false statement(s), or omissions;
- theft, embezzlement, or other wrongful taking of property;
- bribery, forgery, counterfeiting, or extortion; or
- dishonest, unfair, or unethical practices.

An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- an investment or an investment-related business or activity;
- fraud, false statement(s), or omissions;
- theft, embezzlement, or other wrongful taking of property;
- bribery, forgery, counterfeiting, or extortion; or
- dishonest, unfair, or unethical practices.

AGFS does not have any relationship or arrangement with any issuer of securities.