

Form ADV Part 2A Disclosure Brochure

Item 1 – Cover Page

Duncan Investment Advisors, Inc.

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This brochure provides information about the qualifications and business practices of Duncan Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (760) 476-1560. 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 Duncan Investment Advisors, Inc. is also available on the Internet at www.adviserinfo.sec.gov. You can view information on this website by searching for Duncan Investment Advisors, Inc.'s name or by using its CRD number: 155836.

Duncan Investment Advisors, Inc. is a registered investment advisor, but registration as an investment advisor does not imply a certain level of skill or training.

Item 2 – Material Changes

This is our firm's first annual update filing. With this annual update filing dated March 2013, the only material change to this Disclosure Brochure has been to indicate an increase in our firm's reported amount of assets under management. Please see Item 4 – Advisory Business, for further details.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Ownership

Duncan Investment Advisors, Inc. (“Advisor” or “we”) is an investment advisor registered with the Securities and Exchange Commission since January 2011. We are a California corporation and our sole owner is Charles Duncan.

General Description of Primary Advisory Services

We offer personalized investment advisory services including financial planning, asset management and referrals to third party money managers. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

Financial Planning Services (Plans and Consultations)

Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning and other areas. The role of a financial planner is to find ways to help clients understand their overall financial situation and help them set financial objectives.

We offer advisory services in the form of financial plans. These services do not involve actively managing your accounts. Instead, comprehensive planning services focus on your overall financial situation.

We also offer consultations on any topic(s) of interest or concern to you.

Asset Management Services

We offer asset management services providing you with continuous and on-going supervision over your accounts. This means that we continuously monitor your account and make trades in that account when necessary.

Referrals to Third Party Money Managers

We offer advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

Limits Advice to Certain Types of Investments

We offer advice on any investment product that may be suitable for each client’s specific circumstances, needs, goals and objectives. These investment products can include:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Warrants
- Corporate debt securities (other than commercial debt)
- Commercial paper
- Certificates of deposit
- Municipal securities

- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Option contracts on securities and commodities
- Futures contracts on tangibles and intangibles
- Interests in real estate partnerships investing in real estate and oil and gas interests

We may also introduce you to investment managers who provide discretionary management of individual portfolios of equity and/or fixed income securities. In addition, we may use model mutual fund and variable annuity asset allocation portfolio programs provided by a number of institutional investment managers and strategists. Please refer to **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

Tailor Advisor Services to Individual Needs of Clients

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Wrap-Fee Program versus Portfolio Management Program

We offer services through both traditional and wrap-fee management programs. In traditional management programs, advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services (including portfolio management or advice regarding selecting other investment advisors) and transaction services are provided for one fee. The Financial Advisors Program, LifeGuide Program and Managed Opportunities Program (described in **Item 5, Fees and Compensation**) are wrap-fee programs. Whenever a fee is charged to a client for services described in this Disclosure Brochure (whether wrap fee or non-wrap fee), we receive all or a portion of the fee charged.

Client Assets Managed by Advisor

As of January 17, 2012, our firm had total assets under management in the amount of \$153,489,320; all managed on a discretionary basis. As of the fiscal year end December 31, 2012, our firm's total amount of assets under management had increased to \$190,933,100; all managed on a discretionary basis.

Item 5 – Fees and Compensation

In addition to the information provide in **Item 4, Advisory Business**, this section provides additional details regarding our services along with descriptions of each service's fees and compensation arrangements.

Financial Planning Services

Written Financial Plans

We offer written financial planning services consistent with your current financial situation as well as your financial goals and objectives. Our investment advisor representatives ("representatives") meet with you to gather information and documentation needed to perform an analysis and review of your situation as well as your objectives and goals. One or more meetings may be required in order to gather all needed

information and determine the services best suited to help meet your needs. We rely on the information provided by you. Therefore, it is very important that the information you provide is complete and accurate. We are not responsible for verifying the information supplied by you. Our services do not include legal or tax advice. You are also urged to work closely with your attorney, accountant or other professionals regarding your financial and personal situation.

After completing a review and analysis of the information and documents received, our representatives develop their analyses and recommendations and present either a comprehensive or modular (segmented) written financial plan. A comprehensive plan focuses on your overall financial situation and covers several of the areas previously noted, as needed by your specific situation. A modular (segmented) plan focuses only on one or more specific area(s) of concern to you, and you should be aware that other important issues may not be taken into consideration when our representatives develop their analyses and recommendations.

Fees for comprehensive and segmented financial planning services may be charged in the form of a fixed or hourly fee, as determined jointly by you and us. Hourly fees are billed at a rate of \$200 to \$400 per hour, negotiable based on the complexity of your situation and the actual services requested. We provide an estimate of the time needed to provide the requested services. If the actual time needed exceeds the estimate, we contact you for permission prior to continuing any work. You are charged the actual hours used. There is no minimum charge for hourly fees. Fixed fees do not exceed \$10,000 and are also negotiable based on the complexity of your situation and the actual services requested. There is a minimum fixed fee of \$1,000. The negotiated fee is disclosed to you prior to services being provided.

At the discretion of our representatives, a retainer equal to 25% of the quoted fee may be due at the time the client agreement is signed. When determining whether a retainer is required, our representatives consider the preliminary research or up-front work needed on the requested plan. The remainder of the fee, or the entire fee if no deposit is required, is due upon presentation of the plan to you and receipt of our billing statement.

Financial planning services terminate upon presentation of the plan to you. However, either party can terminate services at any time by providing oral or written notice to the other party. If oral notice is provided, a written confirmation is required. Termination is effective immediately upon receiving the notice. You are responsible for our time incurred to the effective date of termination. Hourly fees are calculated by multiplying the hours spent by the quoted rate. Fixed fees are calculated by the proportion of the plan completed at the time termination is effective. We provide a billing statement detailing the prorated refund due to or prorated fee due from you.

Consultations

You can also request advice on one or more specific areas or topics of concern, and these consultations can be a one-time event or involve several meetings. One-time consultations are usually billed at an hourly rate while extended consultations or projects are usually billed as a fixed fee. However, clients can request either hourly or fixed fee billing for any consultations.

Hourly fees are billed at a rate of \$200 to \$400 per hour while fixed fees do not exceed \$10,000. Both hourly and fixed fees are negotiable based on the complexity of your situation and the actual services requested. There is no minimum fee for hourly services but there is a minimum fixed fee of \$1,000.

For extended consultations or projects billed at an hourly rate, our representatives provide an estimate of the time needed to complete the requested consultations. You have the ultimate decision as to how long consultations last. For extended consultations, and at the discretion of our representatives, a retainer equal to 25% of the quoted fee may be due at the time the client agreement is signed. When determining whether a retainer is required, our representatives consider the research or up-front work needed as well as the complexity of the requested consultations. The remainder of the fee, or the entire fee if no deposit is required, is due upon completion of the consultations and receipt of our billing statement.

Services terminate upon completion of the requested consultations. However, either party can terminate services at any time by providing oral or written notice to the other party. If oral notice is provided, a written confirmation is required. Termination is effective immediately upon receiving the notice. You are responsible for our time incurred to the effective date of termination. Hourly fees are calculated by multiplying the hours spent by the quoted rate. Fixed fees are calculated by the proportion of the consultations completed at the time termination is effective. We provide a billing statement detailing the prorated refund due to or prorated fee due from you.

Commission and Fee Offset

In addition to providing advisory services, our representatives are also registered representatives and some of them are independently licensed as insurance agents. Therefore, they may earn fees when providing advisory services and commissions when selling securities and/or insurance products. See, **Additional Compensation**, below.

You may select any broker/dealer or insurance agent you wish to implement any transactions recommended by our representatives. If you elect to have our representatives implement the transactions, they may waive or reduce the amount of the advisory fee by the amount of the commissions received. Any reduction is at their discretion but does not exceed 100% of the commission received.

You may also elect to implement the advice of our representatives through one or more of our other advisory programs disclosed in this Disclosure Brochure. In this case, our representatives may waive or reduce the amount of the advisory fee as a result of earning additional ongoing fees. Any reduction is at their discretion and is disclosed to you prior to implementing any transactions or contracting for additional services.

Seminars

We offer seminars to the public and clients at no charge. These seminars are educational and informational in nature; no specific investment advice or recommendations are given.

Newsletters

We also provide newsletters to both current and prospective clients at no additional charge. These newsletters are educational and informational in nature and no specific investment advice or recommendations are given. The frequency of the newsletters varies depending upon a variety of factors (i.e., political or economic events, tax law changes, etc.).

Asset Management Services

Some of our clients elect to engage us to provide fee-based asset management services where we are solely responsible for making all investment recommendations and also for making changes to the managed account. If you elect to engage us for this service, we will develop an individualized investment program for your account(s). We provide various investment strategies through our management services; a specific investment strategy and investment policy is crafted for you and focuses on your specific goals and objectives. When managing assets, we may also utilize model portfolios provided by institutional investment strategists and/or introduce you to investment managers who provide discretionary management of individual portfolios. Asset management services are separate from and in addition to the financial planning services previously discussed.

To provide these services, we need to obtain certain information from you to determine your financial situation and investment objectives. You are requested to notify us whether your financial situation or investment objectives have changed or if you want to impose and/or modify any reasonable restrictions on management of your accounts. At least annually, we contact you to determine whether your financial situation or investment objectives have changed, or if you want to impose and/or modify any reasonable

restrictions on your managed accounts. We are always reasonably available to consult with you relative to the status of your accounts. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities. Your beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account. A separate account is maintained for you with the custodian and you retain right of ownership of the account (e.g., the right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations).

It is important that you understand we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in allocating investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by us among equitably and consistent with the best interests of all accounts involved. However, there is no assurance that a particular investment opportunity that comes to our attention is allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to you or any other client or use it for any client's benefit.

Charles Schwab and TD Ameritrade

We provide a customized and individualized investment program giving advice among various asset classes, ongoing assistance with evaluating and selecting investments, adjusting and rebalancing portfolios. We require your assets be maintained in a brokerage account with either Charles Schwab Institutional, a division of Charles Schwab & Co., Inc. ("Schwab"), or with TD Ameritrade, Inc. ("Ameritrade"). See **Item 12, Brokerage Practices**, for additional discussion on our required use of Charles Schwab and/or Ameritrade. We assist you in establishing a managed account through Charles Schwab and/or Ameritrade, who will serve as your qualified account custodian and maintain custody of your funds and securities. We do not act as custodian and do not have direct access to your funds and securities except to have advisory fees deducted from your account with your prior written authorization.

You authorize us to have trading authorization on your accounts and we provide management services on either a discretionary or non-discretionary basis. See **Item 16, Investment Discretion**, for additional discussion on discretionary and non-discretionary authority.

We charge for asset management services based on a percentage of assets under management and the maximum annual fee charged is 3%. If your account only has mutual funds, then the maximum annual fee is 2.25%. Fees are billed quarterly in advance based on the value of the account as of the end of the previous quarter. If an agreement for services is executed mid-period, the initial fee is prorated based on the number of days services were provided during the first billing period.

Fees are automatically deducted from the brokerage account and you must provide the account custodian with written authorization to have the fees deducted and paid directly to us, through Securities America, Inc. At least quarterly, you receive an account statement from the account custodian detailing transactions in your account, including advisory fees charged. You should review the account statements received from the account custodian and verify that appropriate advisory fees are being deducted. The custodian does not verify the accuracy of the advisory fees deducted.

Schwab and Ameritrade generally do not charge separately for maintaining custody of your accounts, but may charge brokerage commissions and/or transaction fees directly to you. We do not receive any portion of the commission or fees from either the custodian or from you. In addition, you may incur certain charges imposed by third parties other than us in connection with investments made through your account, including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges,

variable annuity fees and surrender charges and IRA and qualified retirement plan fees. Our management fees are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each security prospectus.

Either of us can terminate asset management services at any time by providing written notice to the other party. Termination is effective upon receipt of the notice. Fees are prorated to the effective date of termination and you are responsible for services provided through the effective date of termination. We send you a billing statement detailing the prorated fee due from you.

Financial Advisors Program and LifeGuide Program

We provide asset management services through the Financial Advisors Program ("FAP") and LifeGuide Program ("LifeGuide") offered and sponsored by Securities America Advisors, Inc. ("SAA"), an investment advisor registered with the Securities and Exchange Commission. Both FAP and LifeGuide are wrap-fee programs providing investment advisory services and execution of client transactions and the specified fees are not based directly on transactions in your account. Under FAP and LifeGuide, our representatives assist you in establishing one or more FAP and/or LifeGuide accounts with SAA. There is a minimum of \$25,000 required to establish and maintain an FAP account and \$50,000 to establish and maintain a LifeGuide account. Exceptions to these minimums may be granted upon request (i.e., anticipated future deposits). All brokerage transactions are processed by Securities America, Inc. ("SAI"), the affiliated broker/dealer of SAA, and cleared through National Financial Services, LLC ("NFS") pursuant to a clearing arrangement established by SAI with NFS. Neither we nor our representatives act as custodian of your account or have direct access to your funds and/or securities.

SAA has also entered into agreements with various insurance companies that allow for the management and valuation of client variable annuity accounts within SAA's FAP and/or LifeGuide. NFS, insurance companies or other custodians maintain physical custody of all funds and securities. Please see **Item 15, Custody**, for additional information. Our representatives implement securities transactions for FAP and LifeGuide accounts in their separate capacity as a registered representative of SAI. See, **Additional Compensation**, below.

The annual management fee is negotiable, with 3.00% being the maximum charged. If the account has only mutual funds, then the maximum fee is 2.25%. SAA retains up to 20 basis points (0.20%) of the annual management fee for FAP accounts and up to 15% of the annual management fee for LifeGuide accounts. The remainder of the fee charged to you is paid to us. SAA is responsible for collecting all fees paid by you through FAP and journals our portion of the advisory fee to us. Please note that our fees may be higher than fees charged by other financial professionals providing similar services.

We may invest a portion of your assets in mutual funds, exchange traded funds (ETFs), stocks or variable annuities and charge an investment management fee on your assets invested in these securities. Therefore, you may pay two levels of fees for management of your assets: one directly to us and one indirectly to the managers of the mutual funds, ETFs or variable annuities held in your portfolios.

A complete description of FAP and LifeGuide related fees, charges, when due and termination procedures are described in the FAP and LifeGuide Disclosure Brochure Appendices (Wrap Fee Program Brochures) prepared by SAA and which is given to you prior to or at the time an FAP and/or LifeGuide account is established.

Annuity Management Services

We also provide individualized investment management services for annuity products. The issuing insurance company or product sponsor maintains custody of the annuity; we do not act as custodian and do not have direct access to your account assets.

You authorize us to have trading authorization on your accounts and we provide annuity management services on either a discretionary or non-discretionary basis. See **Item 16, Investment Discretion**, for additional discussion on discretionary and non-discretionary authority.

Because the managed annuities are considered brokerage products, our representatives earn a commission on these products in their separate capacities as registered representatives and independently licensed insurance agents. (See, **Additional Compensation**, below.) We do not charge an asset management fee for these advisory services.

At least quarterly, you receive an account statement from the account custodian detailing transactions in your account, including any costs and expenses charged. You should review the account statements received from the account custodian and verify that appropriate deductions are made. The custodian does not verify the accuracy of any fees account deductions.

Either of us can terminate annuity management services at any time by providing written notice to the other party. Termination is effective upon receipt of the notice. There are no prorated costs or prorated refunds charged.

SEI Asset Management

The SEI Asset Management Program ("SEI Program") is an institutional asset allocation program that we use when managing your assets. It is an alternative to the FAP and LifeGuide Program described earlier in this Disclosure Brochure. The SEI Program also allows us to manage your account on an individual basis.

When you sign up for this service, we help you establish an SEI Program account at SEI Trust Company ("SEI"). There is a minimum of \$100,000 required to invest in the SEI Program. All account transactions are processed and cleared through SEI. The SEI Program uses asset allocation portfolios developed by SEI Investments. The portfolios consist of SEI Family of Institutional Mutual Funds (Mutual Funds) and other securities approved by SEI to be held in an account. We provide SEI with the asset allocation policy (Asset Allocation Policy) that you select for your account. We direct SEI to reallocate your investments in accordance with your asset allocation policy. In addition, we direct SEI to rebalance the investments in your account at least quarterly so that the market value of the shares of each mutual fund held in the account is the same percentage of the total market value of the account as required by your Asset Allocation Policy.

SEI Program management fees are payable quarterly in arrears and based on assets under management at the end of the quarter. Management fees are automatically deducted from your account. Each quarter, SEI sends you an account statement that includes a management fee notification showing the computed fee, any adjustments to fee, an explanation of any adjustment and the net management fee deducted by SEI later in the period from your account. Management fees are paid to us. Up to 5% of the management fees may be paid to SAA for marketing and administrative services SAA provides to us.

Fees charged to you in the SEI Program do not exceed 1.75% per year, including that portion of the fee paid to us. SEI may charge a separate custodial fee for the custody services it provides to your account. Mutual funds held in the account pay their own advisory fees and other expenses, which are explained in each fund's prospectus. These fees and expenses are separate charges from the account management fees.

You may terminate the SEI Program account at any time by notifying us, and termination is effective upon receiving that notice. If services are terminated within five business days of executing the client agreement, services are terminated without penalty. After the initial five business days, you may be responsible for paying fees for the number of days services were provided by us prior to receiving the termination notice.

Managed Opportunities Program

We have established a relationship with SAA to participate in its Managed Opportunities Program ("Managed Opportunities"). Managed Opportunities is a wrap fee program developed by SAA that provides clients with the opportunity to establish mutual fund portfolios, separate account portfolios and unified managed account portfolios developed by third party money managers who are registered as investment advisors (collectively referred to as sub-advisors).

Through Managed Opportunities, we act as a referral party when referring you into the mutual fund portfolios, separate account portfolios and unified managed account portfolios options in Managed Opportunities. One sub-advisor is Brecek & Young Advisors, Inc. ("B&Y"), an affiliated subsidiary of SAA, doing business under the marketing name of Iron Point Capital Management and/or Iron Point. No other sub-advisors in this program are affiliated with SAA or with us. In addition, SAA's Managed Opportunities receives administrative, web site, transaction order entry services and other services from Envestnet, Inc.

Managed Opportunities offers us directed portfolios through which we can work and advise you in selecting investments constituting a portion of Managed Opportunities. Your portfolio may also be managed by SAA or other sub-advisors that SAA has established relationships with. You grant SAA and the sub-advisors limited discretionary authority with respect to the purchase and sale of securities in mutual fund portfolios, separate account portfolios and unified managed account portfolios and also grant us discretionary authority with respect to the initial Managed Opportunities master account and advisor directed portfolios. This discretionary authority allows us to trade, rebalance, reallocate and replace funds within the guidelines of your suitability and risk tolerance.

We do not refer you to SAA unless SAA and the sub-advisors are registered or are exempt from registration as investment advisors in your state of residence. You grant SAA the discretionary authority to select one or more sub-advisors to provide administrative, web site, performance reporting, transaction order entry and other services to SAA and clients. SAA currently has a relationship with Envestnet, Inc. to provide these services. Clients establishing Managed Opportunities accounts receive Envestnet, Inc.'s Disclosure Brochure in addition to SAA's Disclosure Brochure.

We are always responsible for assisting you with identifying your risk tolerance and investment objectives and are available to meet with you on a continuous basis. We recommend managers and help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance. Although the third-party investment managers are responsible for making all investment decisions, we are available to answer questions you may have regarding your account and act as the communication conduit between you and the investment manager.

Although we review the performance of numerous third-party investment managers, we are only able to select the investment managers approved by SAA and thus available on the Managed Opportunities platform. Therefore, we have a conflict of interest because we do not recommend third-party investment managers to you if the investment manager is not available through Managed Opportunities.

The annual management fee is negotiable, with 3.00% being the maximum charged. If the account has only mutual funds, then the maximum fee is 2.25%. Fees are billed quarterly. SAA is responsible for collecting all fees paid by you through these programs and then journaling our portion of the advisory fees to us.

You should be aware that we are paid solicitor/referral fees by SAA for recommending mutual fund portfolios, separate account portfolios and unified managed account portfolios. SAA also shares fees with

the sub-advisors. The amount of compensation we receive for recommending one Managed Opportunities portfolio over another portfolio may vary. Therefore, a potential conflict of interest may exist because these circumstances may result in us having a financial incentive to recommend one portfolio over another. However, portfolios are selected and recommended based on each individual client's needs, goals and objectives.

Trading by Managed Opportunities money managers may trigger wash sale rule implications. SAA does not manage accounts in the Managed Opportunities in a way to avoid wash sale implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in Managed Opportunities.

A complete description of Managed Opportunities and related fees, charges, when due and termination procedures are described in SAA's Managed Opportunities Disclosure Brochure Appendices (Wrap Fee Program Brochure) which you receive at or prior to the time a Managed Opportunities account is established.

You are advised that there may be other third-party managed programs, not recommended by us, that are suitable for you and that may be more or less costly than arrangements recommended by us. No guarantees can be made that your financial goals or objectives will be achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance can ever be offered by us.

Genworth Program

When contracting with us for asset management services, we may recommend that you open an account through the Genworth Program sponsored by Genworth Financial Wealth Management, Inc. ("Genworth"), an investment advisor registered with the Securities and Exchange Commission. The Genworth Program has two components. The first is an Asset Allocation System that allows us to manage accounts made up of model portfolios provided by a number of institutional investment strategists. These model portfolios are based on the information, research, asset allocation methodology and investment strategies of the investment strategists. If you decide to hire us for this service, we develop an individualized investment program for your account(s). Various investment strategies are provided through this service; however, a specific investment strategy and investment policy is crafted for you focusing on your specific goals and objectives.

The second component is the Private Managed Account Program through which we introduce you to third party investment managers who provide discretionary management of individual portfolios of equity and/or fixed income securities. In this situation, we are not responsible for making specific decisions regarding the investments held in your account and are not responsible for making trades in your account. The independent investment strategists selected have no direct relationship with our representatives or you, make no analysis of your circumstances or objectives and do not tailor their model portfolios to your specific needs.

We are always responsible for assisting you with identifying your risk tolerance and investment objectives. We recommend managers and help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance. You specifically direct the account to be invested in accordance with the chosen model portfolio. When you select a model portfolio, you also need to direct the account to be automatically adjusted to reflect any adjustment in the model portfolio by the investment strategist. This results in the purchase and sale of certain mutual funds or transfers between variable annuity sub-accounts without further authorization by you at such time as the investment strategist changes the composition of the selected model portfolio.

Although the third-party investment managers are responsible for making all investment decisions, we are available to answer questions you may have regarding your account and we act as the communication conduit between you and the investment manager.

While we review the performance of numerous third-party investment managers, we are only able to select the investment managers approved by Genworth and thus available on the Genworth Program platform. Therefore, we have a conflict of interest because we do not recommend third-party investment managers to you if the investment manager is not available through the Genworth Program. The minimum investment required for Genworth Program Asset Allocation System accounts is generally \$50,000 and \$250,000 for Private Managed accounts. Exceptions may be granted to the minimums at our discretion and at the discretion of Genworth (i.e., an account for a family member of a representative or employee of Advisor).

You are advised that there may be other third-party managed programs, not recommended by us, that are suitable for you and that may be more or less costly than arrangements recommended by us. No guarantees are made that your financial goals or objectives are achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance are offered by us.

Your maximum advisory fee does not exceed 2.25% per year. Fees are paid quarterly in advance and based on average assets under management during the previous quarter. Genworth is responsible for collecting all fees paid by you through these programs and journaling our portion of the advisory fee. The fee paid to us includes an amount re-allowed to Genworth, investment strategists and others as the Genworth Program fee. Custodial fees may be charged separately from the Genworth fees you are charged.

A complete description of the Genworth Program and related fees, charges, when due and termination procedures are described in the Genworth Disclosure Brochure Appendix (Wrap Fee Program Brochure) which is given to you at or prior to the time an account is established.

Third Party Money Managers

We act a solicitor and refer clients to unaffiliated third party investment advisors offering asset management and other investment advisory services. We perform due diligence in selecting the third party money managers recommended. Third-party investment advisors recommended by us must be registered or exempt from registration in the state where you client reside. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

Through this service, we assist you to identify your risk tolerance and investment objectives and then recommend money managers relative to those objectives and tolerances. You select a recommended third party investment advisor based on your needs and enter into an agreement directly with the selected advisor, who provides the asset management services. Our representatives are available to answer client questions regarding your account. Our representatives also act as the communication conduit between you and the third-party investment advisors.

Third party managed programs generally have account minimum requirements and these minimum requirements vary from investment advisor to investment advisor. Account minimums are generally higher on fixed income accounts than equity based accounts. A complete description of the third party investment advisor's services, fee schedules and account minimums are disclosed in the third party investment advisor's Disclosure Brochure that is provided to you at the time an agreement for services is executed and an account established. The type and frequency of reports provided to you also depends on the third party investment advisor selected.

Third-party investment advisors may take discretionary authority to determine the securities to be purchased and sold for you. We do not have any discretionary authority and are not responsible for selecting investments or implementing trades in your accounts. We are responsible for determining the initial and on-going suitability and also for maintaining your current information.

When referring clients to third party money managers, we are paid a portion of the fee charged and collected by the third party investment advisor in the form of solicitor fees or consulting fees. You do not

directly pay us for this referral service and our solicitor/referral fee does not appear as a direct cost to you. However, the third party money manager takes our solicitor/referral fee into consideration when determining the total fee charged to you. The third party money manager also considers other factors when determining the fee, such as the amount of assets under management and the number of client accounts. The actual fee charged to you varies depending on the third party investment advisor selected.

We reviewed the performance of numerous third-party investment advisor firms and recommend the programs described below. You are advised that there may be other third party managed programs that may be suitable to you and that may be more or less costly. No guarantees can be made your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. Investments involve risk, including the possible loss of principal.

SEI Tax Controlled Program

The SEI Tax Controlled Program (TC Program) is sponsored by SEI Investments Management Corporation (SIMCO). To participate in the TC Program, you, SIMCO and we execute a tri-party agreement (Tax Controlled Agreement) providing for the management of certain of your assets. Under the Tax Controlled Agreement, you appoint us as your investment advisor to assist you in selecting an asset allocation strategy. This strategy includes a percentage of your assets allocated to designated portfolios of separate securities (separate account portfolio) and may include the percentage of assets allocated to a portfolio of mutual funds sponsored by SIMCO or its affiliate. You appoint SIMCO to manage the assets in each separate account portfolio in accordance with a strategy selected by you with our assistance. SIMCO may delegate its responsibility for selecting particular securities to one or more portfolio managers. The TC Program seeks to manage taxes within each separate account portfolio through individually managed U.S. equity and/or laddered municipal bond component(s) within the structure of a globally diversified portfolio in order to meet your long-term goals of managing taxes while controlling risk. You may terminate the TC Program account at any time, and termination is effective upon SIMCO receiving the notice. If services are terminated within five business days of executing the client agreement, services are terminated without penalty. After the initial five business days, you may be responsible for paying fees for the number of days services are provided by SIMCO prior to receiving the termination notice.

TC Program client management fees are payable quarterly, in arrears, based on assets under management at the end of the quarter. Management fees are automatically deducted from your account. Each quarter SEI sends you an account statement that includes a management fee notification showing the computed fee, any adjustments to fee, an explanation of any adjustment and the net management fee to be deducted later in the period from your account.

We do not act as custodian for any TC Program accounts. NFS, Pershing, LLC or other custodians maintain custody of all funds and securities. Custodial fees and internal mutual fund expenses are separate from the TC Program client fees.

The fees payable by you to SIMCO for the individually managed U.S. large cap equity component are as follows:

- 0.85% for the first \$2,000,000
- 0.75% for the next \$4,000,000
- 0.65% for the next \$4,000,000
- 0.55% for the next \$10,000,000

The fees payable by you to SIMCO for the individually managed municipal bond component are as follows:

- 0.60% for the first \$1,000,000
- 0.55% for the next \$2,000,000

0.45% for the next \$2,000,000
0.35% for the next \$5,000,000

The fees payable under the TC Program do not exceed 1.75% per year. SAA retains up to 5% of the annualized fee paid to us for administrative and marketing services. We are paid the balance of the annualized fee paid by you.

Independent Managed Assets Program

Through this service, we are able to establish agreements directly with third-party money managers offering a wide range of advisory services, including asset allocation, market timing and portfolio management. We can then refer you to a third-party money manager and the third-party money manager provides asset management and investment advisory services directly to you. This means the third-party money manager is responsible for continuously monitoring your accounts and making trades in your accounts when necessary. You must enter into an agreement directly with the unaffiliated third-party investment advisor.

As previously explained, when you agree to engage a third-party investment advisor we recommend, we are considered a solicitor and we are paid a portion of the fee charged and collected by that advisor. We are always responsible for assisting you with identifying your risk tolerance and investment objectives. We recommend third-party investment advisors and help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance.

Although the third-party investment advisor is responsible for making all investment decisions, we are available to answer questions you may have regarding your account and act as the communication conduit between you and the third-party investment advisors. The third-party investment advisors we recommend generally require discretionary authority to determine the securities to be purchased and sold in your accounts. Neither we nor our representatives have any trading authority with respect to your managed account(s) with the third-party investment advisor(s).

We are limited in this program because we can only select the services of money managers approved through SAA's Independent Managed Assets Program ("IMAP"). One or more of these money managers may be affiliated entities of SAA.

You are advised that there may be other third-party managed programs, not recommended by us, that are suitable for you and that may be more or less costly than arrangements recommended by us. No guarantees can be made that your financial goals or objectives will be achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance can ever be offered by us. See **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss**, for more details.

Trading by IMAP money managers may trigger wash sale rule implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in the IMAP program.

If we recommend a third-party investment advisor to you, a complete description of that advisor's services, fee schedules and account minimums is provided in the advisor's Form ADV Disclosure Brochure or Wrap Fee Program Brochure. These brochures are provided to you when we initially recommend the third-party investment advisor.

While the actual fee charged to you varies depending on the third-party investment advisor utilized, the portion retained by us in the form of solicitor fees or consulting fees will not exceed 3%. All fees are calculated and collected by the selected third-party investment advisor firm who is responsible for delivering our portion of fee to us.

SAA receives a portion of the solicitor fee, a marketing override or an administrative fee for providing administrative and marketing services. You may incur additional charges including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, and IRA and qualified retirement plan fees.

We will never receive any portion of such commissions or fees. We are only compensated by the consulting fee described above. We receive no other compensation in connection with your account managed by a third-party investment advisor. When we negotiate lower fees and expenses charged by third parties, all negotiated improvements are for your benefit.

Additional Compensation

You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any recommendations made by our representatives. If you do decide to implement recommendations, you are responsible for taking any actions or implementing any transactions required. You are free to select any broker/dealer and/or insurance agent to implement our recommendations.

You should be aware that our representatives are also registered representatives of Securities America, Inc., a registered broker/dealer and member of FINRA/SIPC. In this separate capacity, they can receive a commission for selling securities products. This is a potential conflict of interest. As a registered representative, they may sell mutual funds and receive 12(b)-1 fees in addition to commissions. The 12(b)-1 fees, named after a section of the *Investment Company Act of 1940*, are annual marketing or distribution fees and considered an operational or administrative expense. The fees are included as a part of the mutual fund's total expense ratio and paid from fund assets. Therefore, the fees come indirectly from your account. Every mutual fund prospectus includes a description of the fund's fees and expenses. Receiving 12(b)-1 fees represents an incentive for a registered representative to recommend funds with 12(b)-1 fees or with higher 12(b)-1 fees than funds with no fees or lower fees. This is also a potential conflict of interest. Our representatives will only recommend mutual funds to clients if those funds are suitable for you and appropriate to help fulfill you objectives.

In addition, some of our representatives are also independently licensed as insurance agents and sell insurance products to any client. The representatives can earn commissions when selling insurance products in this separate capacity. This is a potential conflict of interest, since any commissions earned could be in addition to advisory fees earned in their capacity as an investment advisor representative.

Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. Both we and our representatives endeavor at all times to put your interests first as a part of our fiduciary duty. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of our representatives when making advisory recommendations.

Comparable Services

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

Item 7 – Types of Clients

We generally provide investment advice to individuals, including high-net worth individuals.

Minimum Investment Amounts Required

There is a minimum \$1,000 fixed fee for financial planning and consultation services. There is no minimum for these services charged at an hourly rate.

We require a minimum of \$250,000 to establish and maintain a brokerage account, though exceptions may be made for existing clients. It is acceptable to aggregate or "bundle" household accounts in order to reach the minimum account requirement.

There is a minimum of \$25,000 required to establish and maintain an FAP account and \$50,000 to establish and maintain a LifeGuide account. Exceptions to these minimums may be granted upon request (i.e., anticipated future deposits).

There is a minimum of \$100,000 required to invest in the SEI Program.

As a general rule, SAA requires a minimum of \$50,000 to establish and maintain Managed Opportunities mutual fund portfolios, \$100,000 for separate account portfolios, \$250,000 for unified managed account portfolios and \$50,000 for advisor directed portfolios.

The minimum investment required for Genworth Program Asset Allocation System accounts is generally \$50,000 and \$250,000 for Private Managed accounts. Exceptions may be granted to the minimums at our discretion and at the discretion of Genworth (i.e., an account for a family member of an Advisor representative or employee).

Third party managed programs generally have account minimum requirements and these minimum requirements vary from investment advisor to investment advisor. Account minimums are generally higher on fixed income accounts than equity based accounts.

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

Methods of Analysis

We use fundamental, technical, charting and cyclical analysis when considering investment strategies and recommendations for clients.

Fundamental

Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors

(e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

Technical

This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Charting

Charting is a technical analysis that charts the patterns of stocks, bonds and commodities to help determine buy and sell recommendations for clients. It is a way of gathering and processing price and volume information in a security by applying mathematical equations and plotting the resulting data onto graphs in order to predict future price movements. A graphical historical record assists the analyst in spotting the effect of key events on a security's price, its performance over a period of time and whether it is trading near its high, near its low or in between. Chartists believe that recurring patterns of trading, commonly referred to as indicators, can help them forecast future price movements.

Cyclical

Cyclical analysis looks at recurring periods of expansion and contraction that can impact a company's profitability and cash flow. Cyclical stocks tend to rise quickly when the economy turns up and fall quickly when the economy turns down (i.e., housing, automobiles, telecommunications, paper, etc.). Non-cyclical industries (i.e., food, insurance, drugs, health care, etc.) are not as directly impacted by economic changes.

Analysis Risks

Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Technical analysis uses a shorter timeframe—often weeks or days. The price and volume data reviewed is released on a daily basis. Therefore, fundamental analysis could mean a gain is not realized until a security's market price rises to its "correct" value over the long run—perhaps several years.

As a general statement, technical analysis is used for a trade while fundamental analysis is used for an investment. It could also be said that traders buy assets they believe they can sell to someone else at a greater price while investors buy assets they believe will increase in value. The frequency of trading securities using technical analysis could have both a positive or negative impact and could also lead to increased brokerage and transaction costs, thus lowering performance. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

Both charting and cyclical analysts look for patterns to help identify the direction the market is going at any given time. However, patterns and expected ranges or time frames may not occur as anticipated due to any number of factors (i.e., natural disasters, political upheaval, etc.).

Investment Strategies

We use the following investment strategies when implementing investment advice:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales (Borrowing securities in anticipation of a price decline and returning an equal number of securities at some future time.)
- Margin transactions (Investor pays for part of the purchase and borrows the rest from a brokerage firm; e.g., investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Advisor.)
- Option writing (Including covered options, uncovered options or spreading strategies.) (Note: options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.)

We gather information from a variety of sources, including financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the Securities and Exchange Commission and company press releases.

When managing accounts we may utilize the services of EdgeTech Analytics, LLC, a third party research firm that provides modeling software and market research data to investment advisors. Our representatives use this software in their daily evaluation of general mutual funds, variable annuity sub-accounts and other equity positions. Edgetech Analytics, LLC charges us for their research services. Those costs are .6% above and beyond the fees we earn to manage your assets and may be passed on to you and automatically deducted from your brokerage account as part of your quarterly fee. If we utilize Edgetech Analytics to manage your account you will be asked to sign a fee agreement which incorporates these costs.

Risk of Loss

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Further, depending on the different types of investments, there may be varying degrees of risk:

- **Market Risk.** Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- **Equity (Stock) Market Risk.** Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- **Company Risk.** There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value

may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).

- **Options Risk.** Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- **Fixed Income Risk.** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk.** ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- **Management Risk.** Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account
- The account custodian or clearing firm can force the sale of securities or other assets in your account
- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

Primarily Recommend One Type of Security

We generally do not recommend any specific security to clients. Instead, we recommend any product that may be suitable for each client relative to their specific circumstances and needs.

For cash balances, we generally invest in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on your cash balances through relatively low-risk conservative investments. In most

cases, at least a partial cash balance is maintained in a money market account so we can debit advisory fees for our services.

Item 9 – Disciplinary Information

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

Item 10 – Other Financial Industry Activities and Affiliations

We do not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker
- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
- A investment adviser or financial planner
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- Accountant or accounting firm
- An insurance company or agency
- A lawyer or law firm
- A pension consultant
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships

We are an independent registered investment registered advisor and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment advisor representatives with us.

Securities Sales

Our representatives are also registered representatives of Securities America, Inc. You can engage them in this separate capacity to render securities brokerage services under a commission arrangement. Our representatives may have a financial incentive to recommend that a financial plan be implemented using a certain product or service. This is a conflict of interest because they could receive commissions in their capacity as a registered representative and could also receive advisory fees in their capacity as an investment advisor representative.

You are under no obligation to use the services of our representatives in this separate capacity or to use Securities America, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use Securities America, Inc. Prior to effecting any transactions, you are required to enter into a new account agreement with Securities America, Inc. The commissions charged by Securities America, Inc. may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

Insurance Sales

Some of our representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they may receive fees or commissions for selling

these products. You are under no obligation to direct insurance transactions to insurance companies with which our representatives may be licensed. Suitable insurance and investment products may be available from other companies.

Third-Party Money Managers

As described in **Item 5, Fees and Compensation**, we have formed relationships with independent, third-party money managers.

We may recommend clients work directly with third-party money managers. When we refer clients to a third party money manager, we receive a portion of the fee charged by the third party money manager. Therefore, we have a conflict of interest because we only recommend third party money managers that agree to compensate us by paying us a portion of the fees billed to your account managed by the third party money manager.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary and has a fiduciary duty to clients. We have established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects our fiduciary obligations and those of our supervised persons and requires compliance with federal securities laws. Our Code of Ethics covers all individuals that are classified as “supervised persons.” All employees, officers, directors and investment advisor representatives are classified as supervised persons. We require our supervised persons to consistently act in clients’ best interests in all advisory activities. We impose certain requirements on our affiliates and supervised persons to ensure that they meet our fiduciary responsibilities to clients. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is only intended to provide current and potential clients with a description of our Code of Ethics. If current or potential clients wish to review the Code of Ethics in its entirety, they are provided a copy promptly upon request.

Participation in Client Transactions and Personal Trading

Both we and our associated persons may buy or sell securities for our own accounts that are recommended to clients. We may also recommend the purchase or sale of different securities for different clients at different times. This could result in contrary advice being given or action taken on behalf of clients and in our personal accounts.

We are and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. To prevent conflicts of interest, we have developed policies and procedures that include personal investment and trading policies for our associated persons, employees and their immediate family members:

- Associated persons cannot prefer their own interests to that of the client
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts
- Associated persons cannot buy or sell securities for their personal accounts when those decision are based on information obtained as a result of their employment, unless that information is also available to the investment public upon reasonable inquiry
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an “insider”

- Associated persons are discouraged from frequent personal trading
- Associated persons are generally prohibited from serving as board members of publicly-traded companies unless an exception has been granted by our President and/or Chief Compliance Officer

To the extent we or an associated person maintains an outside account, the associated person must make arrangements to send quarterly statements to us and complete an annual certification concerning their personal securities activities. They must also provide additional information about personal trading activities as may be required under our insider trading policy and Code of Ethics. Any associated persons not observing our policies may be subject to sanctions up to and including termination.

Agency Cross Transactions

Our associated persons are prohibited from engaging in agency cross transactions, meaning they cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

Item 12 – Brokerage Practices

Securities America, Inc.

If you elect to implement our advice, you are free to select any broker you wish. If you elect to have our representatives implement the advice in their capacity as registered representative or through one of the Securities America Advisors, Inc. (“SAA”) programs detailed in **Item 5, Fees and Compensation**, then our representatives’ broker/dealer, Securities America, Inc. (“SAI”) will be used.

Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services and based on the arrangement with SAI, we require the use of SAI when opening an account through our programs. We are limited in the broker/dealer or custodians we are allowed to use due to our relationship with SAI. SAI may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

Because our representatives are registered representatives of SAI, they are required to use the services of SAI and SAI’s approved clearing broker/dealers when acting in their capacity as registered representatives. SAI serves as the introducing broker/dealer. All accounts established through SAI are cleared and held through National Financial Services, LLC. SAI has a wide range of approved securities products for which it performs due diligence prior to selection. SAI’s registered representatives are required to adhere to these products when implementing securities transactions through SAI. 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. Because our representatives are also registered representatives of SAI, SAI provides compliance and supervision support to our representatives. In addition, SAI provides our representatives, and therefore us, with back-office operational, technology and other administrative support.

Economic benefits are provided to us by SAI that are not provided if you select another broker/dealer or account custodian. These benefits may include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that services SAA/SAI participants exclusively
- A dedicated service group and an account services manager dedicated to our accounts
- Access to a real-time order matching system
- Electronic download of trades, balances and position information

- Access, for a fee, to an electronic interface with the account custodian's software
- Duplicate and batched client statements, confirmations and year-end reports

Please also see **Item 5, Fees and Compensation**, for additional information about advisory services and implementing recommendations.

Charles Schwab and TD Ameritrade

If you elect to utilize our management services using Schwab and/or Ameritrade, then you are required to establish brokerage accounts at Schwab and/or Ameritrade. Schwab and Ameritrade provide us with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Schwab and Ameritrade include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab and Ameritrade also make available to us other products and services that benefit us but may not benefit our clients' accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of our accounts. Schwab and Ameritrade also make available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing

In addition, Schwab and Ameritrade may make available, arrange and/or pay for these types of services rendered to us by independent third party providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our requirement that you maintain your assets in accounts at Schwab and/or Ameritrade may be based in part on the benefit to us in the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab and Ameritrade. This may create a potential conflict of interest.

You are under no obligation to act on our recommendations. You may select a broker/dealer or account custodian other than Schwab or Ameritrade, although in this case we cannot assist you with asset management services.

Best Execution

While we do not allow directed brokerage, we must still use reasonable diligence to make certain that best execution is obtained for clients when implementing any transactions. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions surrounding the transaction execution is in the best interests of clients. When considering best execution, our associated persons look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with existing systems of the advisor, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered. We perform periodic reviews to determine that the relationship with SAI and National Financial Services, LLC are still in the best interests of clients.

Soft Dollar

Investment advisors may direct portfolio brokerage commissions to a particular broker/dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research are known as “soft dollars.” Section 28(e) of the *Securities Exchange Act of 1934* provides a “safe harbor” that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

Although we don’t allow directed brokerage, we may still receive products and services from SAI, SAA or other program sponsors and product issuers. These products and services may be used for both research and non-research purposes and allows us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues
- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. We do not attempt to allocate the relative costs or benefits of research among clients because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to clients.

These arrangements may be deemed to create a conflict of interest to the extent that we would have to pay for some or all of the research and/or services with “hard dollars” if we were unable to obtain the research and services in exchange for commissions in connection with client transactions. Client trades are always be implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

Handling of Trade Errors

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific

circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and we absorb any loss resulting from the trade error if we caused the error. If the error is caused by the broker/dealer, the broker/dealer is responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. We may also confer with clients to determine if they should forego the gain (e.g., due to tax reasons). We never benefit or profit from trade errors.

Block Trades

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used when we believe such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions are averaged as to price and are allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation or remuneration as a result of blocking trades.

Item 13 – Review of Accounts

Account Reviews

Financial planning and consultation services terminate upon presentation of the plan or completion of the consultations and no reviews are conducted. However, we recommend that you have your financial situation reviewed and updated at least annually. If you elect this review and update, a new client agreement is required and additional fees are charged. Managed accounts are reviewed at least quarterly. Accounts at third party money managers are also reviewed at least quarterly, usually when copies of account statements are received from the manager.

The calendar is the main triggering factor, although reviews may also be conducted due to your request, due to a change in your circumstances or due to unusual market or political activity. Charles Duncan and Paul Duncan conduct all account reviews. Absent your specific instructions, we review accounts to verify portfolio holdings, appropriate asset allocation, possible re-balancing needs, anti-money laundering concerns, fee calculation accuracy, continued suitability and that performance continues to work toward your investment goals and objectives.

Account Reports

Financial planning clients do not receive any written reports other than the written plan originally contracted for. You receive a statement at least quarterly from the broker/dealer, investment advisor or money manager where your account is maintained. We provide verbal reports at least annually.

If you have an FAP and/or LifeGuide account, you may receive monthly, quarterly or on-demand reports showing the investment performance of your account from us or from SAA. If you have an SEI Program account, you receive monthly account statements, transaction ledgers and quarterly reports from SEI showing your investment performance. If you have a Genworth Program account, you receive monthly account statements from Genworth showing transaction ledgers and investment performance.

SAA reviews the performance information in Managed Opportunities accounts to determine its accuracy. Performance information provided by SAA is believed to be accurate but cannot be guaranteed. Fund and other securities values and other information are obtained from third parties. Managed Opportunities accounts are reviewed as needed by SAA supervisors, SAI principals and our representatives. Triggering factors for reviews may include material market, economic or political events, changes in your personal or financial situation or performance of the accounts in general. We urge you to compare any performance reports you receive from us with account statements you receive directly from the custodian. Inquiries or concerns regarding your account including performance reports should be directed to us.

Item 14 – Client Referrals and Other Compensation

We do not directly or indirectly compensate anyone for client referrals to us.

Please see **Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations** and **Item 12, Brokerage Practices**, for additional discussion about solicitor/referral fees from third party managers, other compensation and non-economic benefits.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody. We are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. Our procedures do **not** result in our maintaining physical custody of client funds and securities.

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

Although you grant us trading authority in all accounts, asset management services in FAP, LifeGuide, Schwab and Ameritrade accounts can be provided on a discretionary or non-discretionary basis. SEI, Genworth and some Managed Opportunities accounts are managed on a discretionary basis.

When accounts are managed on a non-discretionary basis, we always contact you before implementing any transactions in an account. You must accept or reject our investment recommendations, including (1) the security being recommended, (2) the number of shares or units and (3) whether to buy or sell. Once these factors are agreed upon, we are responsible for making decisions regarding the timing of the purchase or sale and the price at which it is bought or sold. You should know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of implementing trades and we may not achieve the optimal trading price.

When managing on a discretionary basis, we can make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before

implementing any transactions. You must provide us with written authorization to exercise this discretionary authority. When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian.

You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

In SEI accounts, discretion is limited to no-load mutual funds. In the Genworth Program, we offer you model portfolios composed by a group of independent investment strategists in the Asset Allocation Program. The independent investment strategists have no direct relationship with you or us, make no analysis of your circumstances or objectives and do not tailor the model portfolios to your specific needs. We assist you in selecting the model portfolio(s) that best suit your objectives. You then specifically direct the account to be invested in accordance with the chosen model portfolio. When you select the model portfolio, you further direct that your account be automatically adjusted to reflect any adjustment in the model portfolio by the investment strategist. This authorization results in the purchase and sale of certain mutual funds or transfers between variable annuity sub-accounts without further authorization by you at such time as the investment strategist changes the composition of the selected model portfolio. We have no authority to cause any purchase or sale of securities in your account, to change the model portfolio or to direct the account to be invested in any manner other than as previously authorized by you. In the Genworth Private Managed Account Program, the investment managers provide discretionary management of the equity and/or fixed income securities. We have no authority over those accounts.

Item 17 – Voting Client Securities

We do not vote proxies on your behalf. Proxies are sent directly to your address of record from the custodian or transfer agent. You should read the information provided with the proxy document and make a determination based on the information provided. Upon your request, we may provide clarifications of issues presented in the proxy materials or provide an opinion on how you should vote on an issue. However, you are solely responsible for all proxy voting decisions.

Item 18 – Financial Information

This item is not applicable to our brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.